

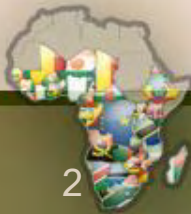


Africa - Opportunities and Challenges

Roger Nord
International Monetary Fund
Leiden, November 2013

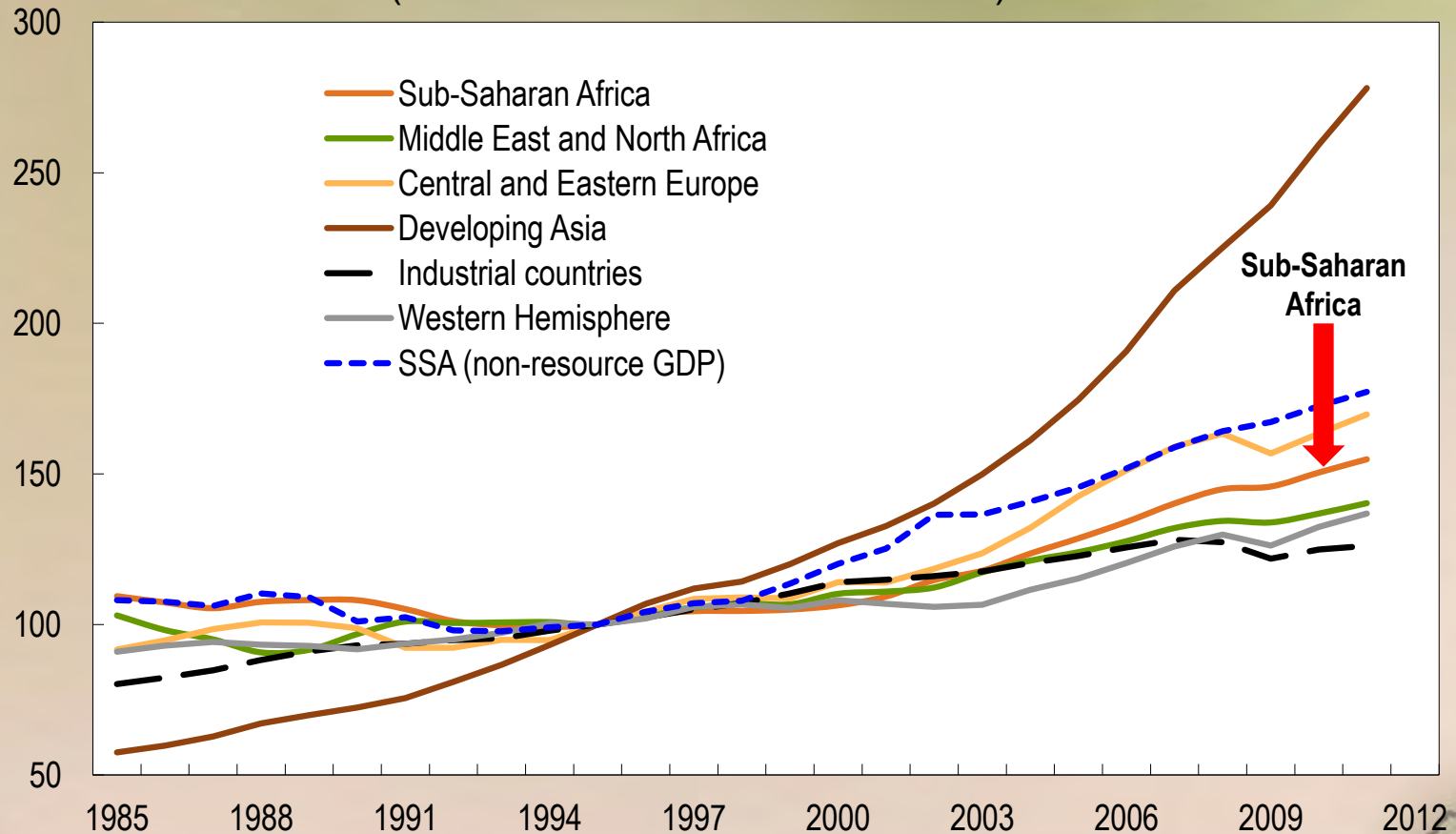
Outline

- The Growth Take-Off in Sub-Saharan Africa
- The Economic Outlook for SSA in 2013-14
- Short-term Risks and Medium-term Challenges



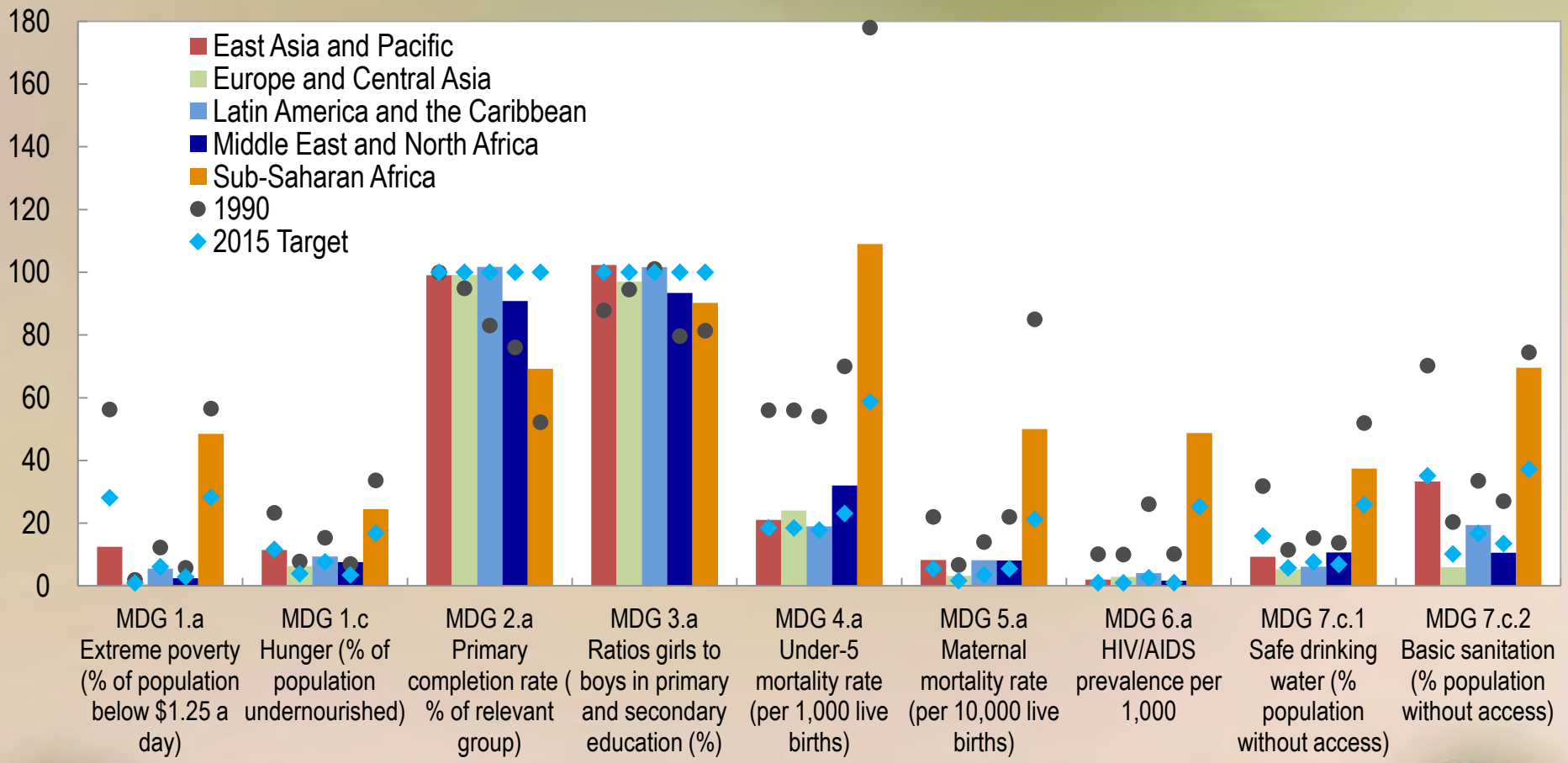
Per Capita GDP: Keeping Up With Other Regions

International Comparisons: GDP per Capita
(Index 1995=100 In real US dollar)



Progress towards the MDGs has been mixed ...

Selected Regions: Millennium Development Goal Positions, 2011

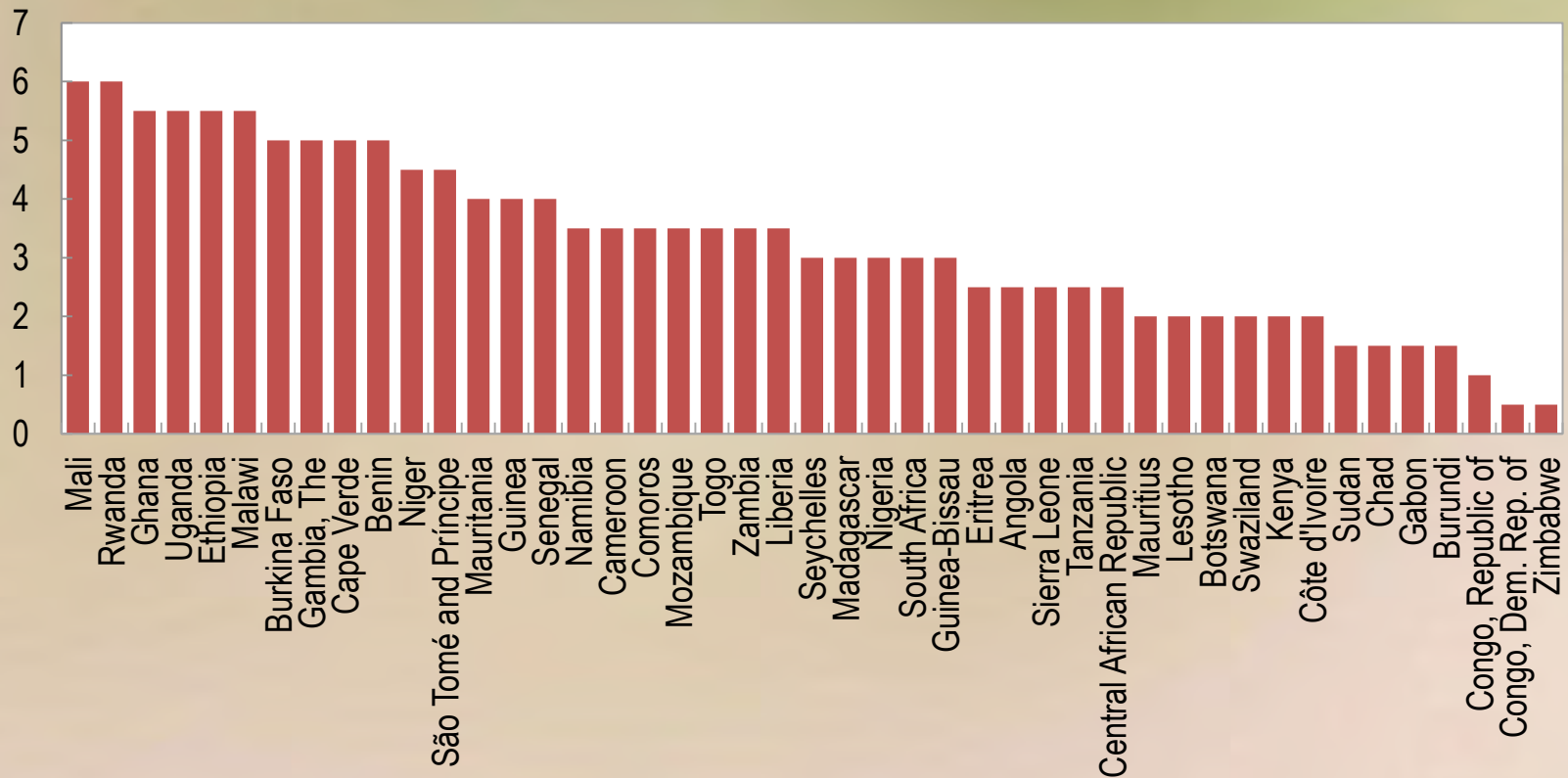


Sources: World Bank, World Development Indicators; and IMF staff estimates.



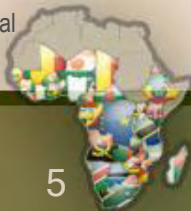
... and very different across countries

Sub-Saharan Africa: Countries Ranked by Millennium Development Goal Progress Score, 2012

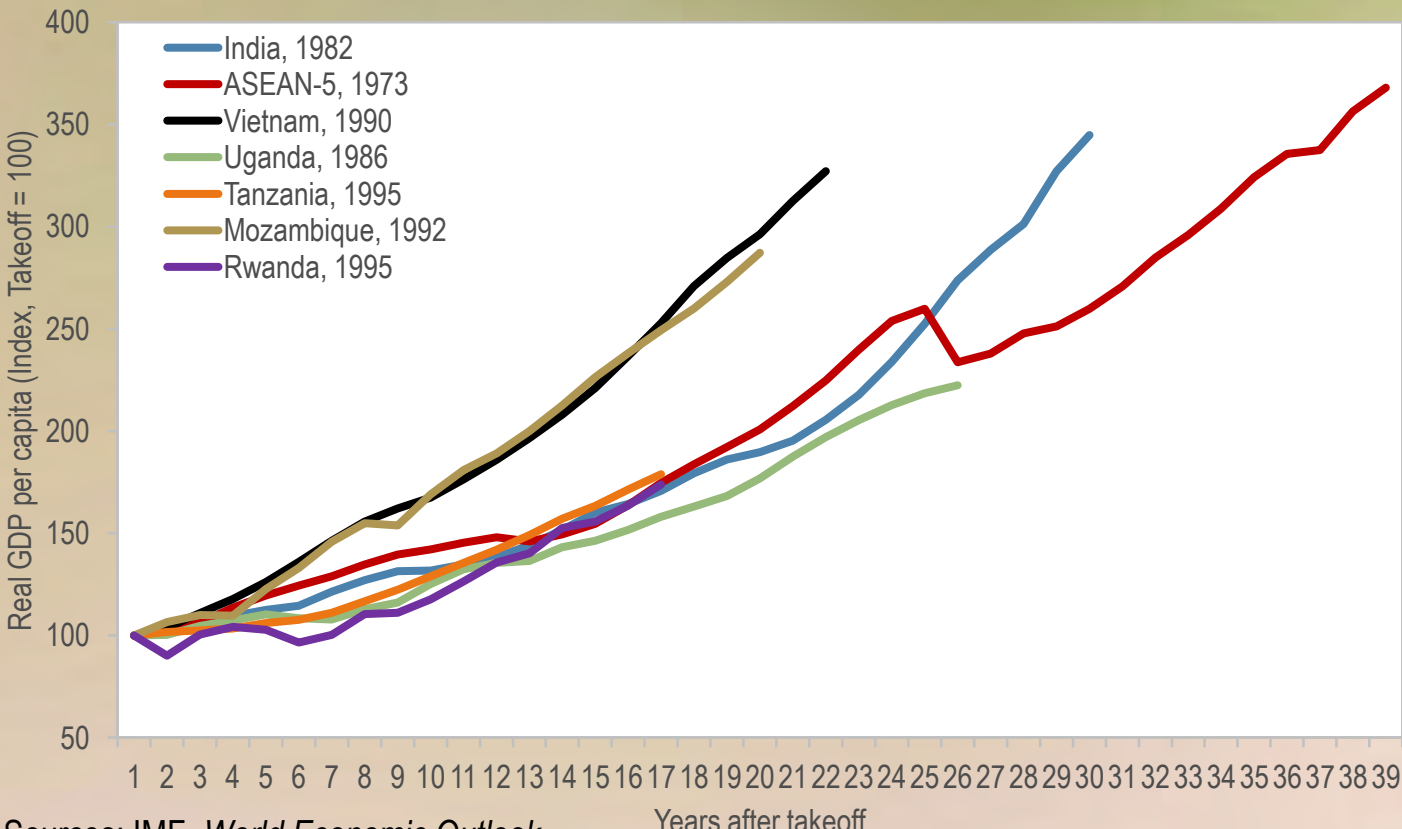


Sources: World Bank, World Development Indicators; Center for Global Development; and IMF staff estimates.

Note: MDG Progress Score is a summary measure of a country's rate of progress toward seven MDGs. Specifically, it is a sum across goals (whose theoretical values range from 0 to 7, maximum progress), where each goal is assigned one of the three possible index values of 0, 0.5, and 1 based on actual progress against required achievement trajectories.



Economic growth in several countries in Africa has taken off over the past two decades



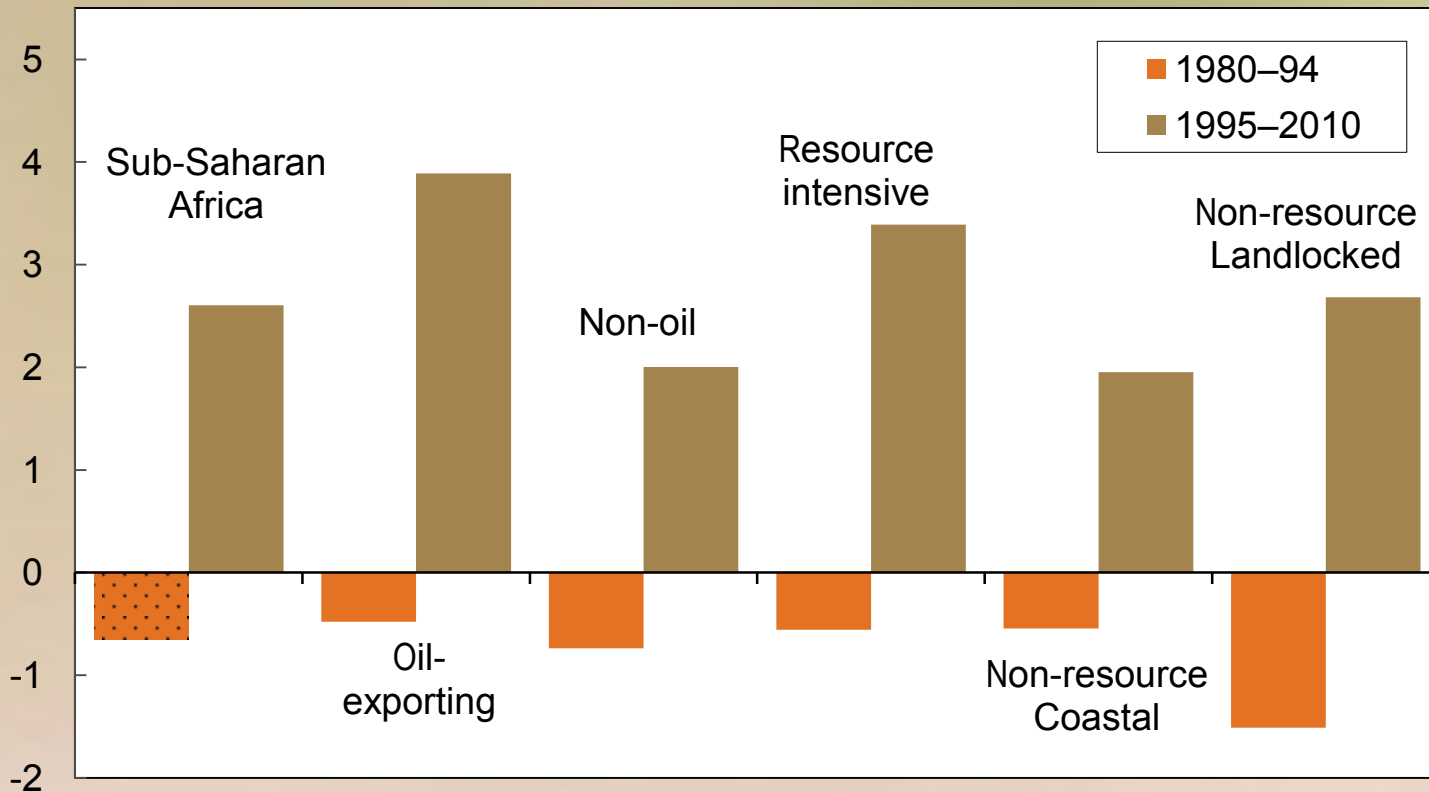
Sources: IMF, *World Economic Outlook*.

Excludes China for presentation purposes, as China's growth is much higher than that for the other countries. ASEAN 5 = Indonesia, Malaysia, the Philippines, Singapore and Thailand.



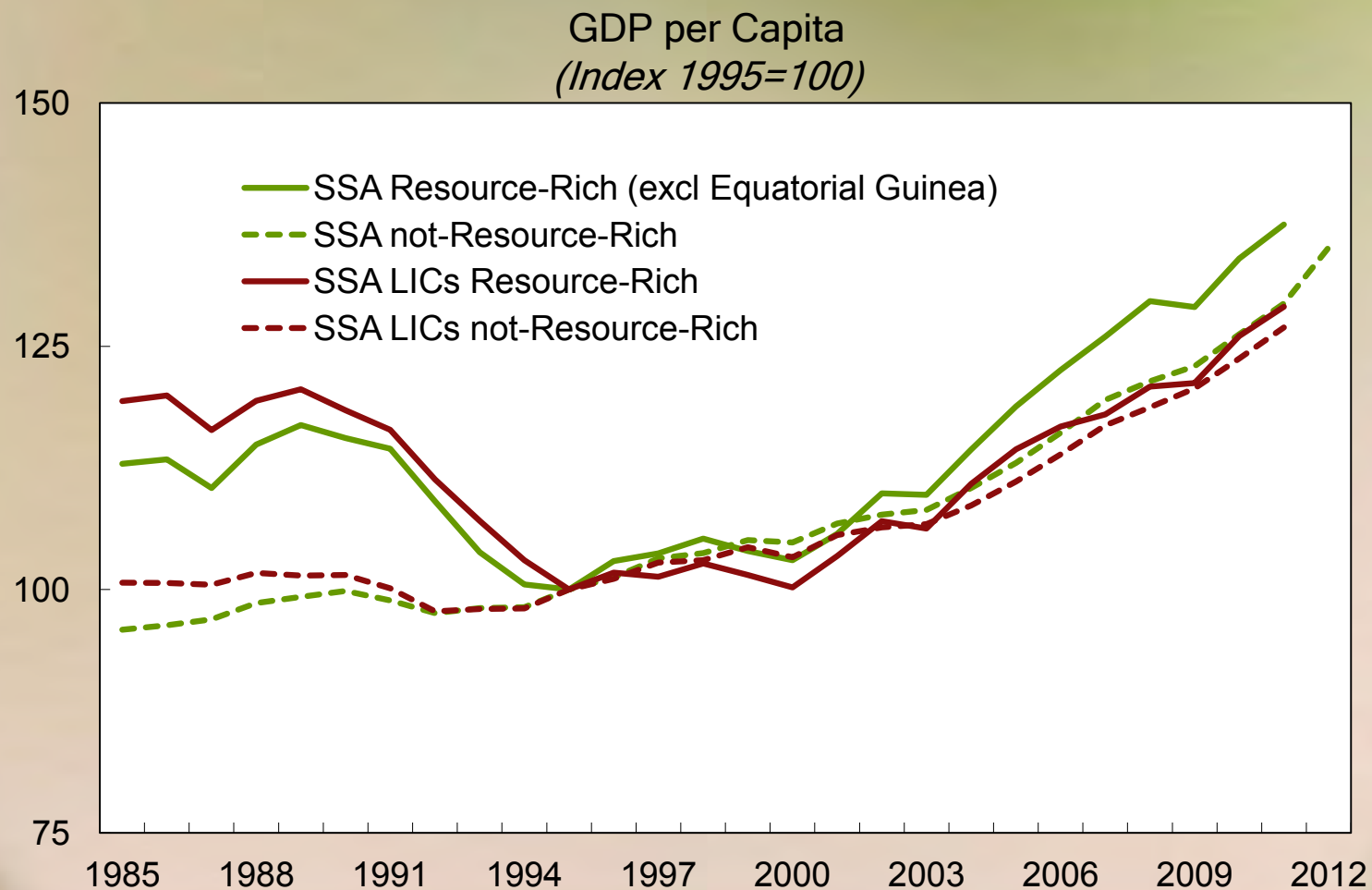
What Is Not Driving Growth (1): Endowment and Geography

Sub-Saharan Africa: Real GDP per Capita Growth
(Annual Percent)



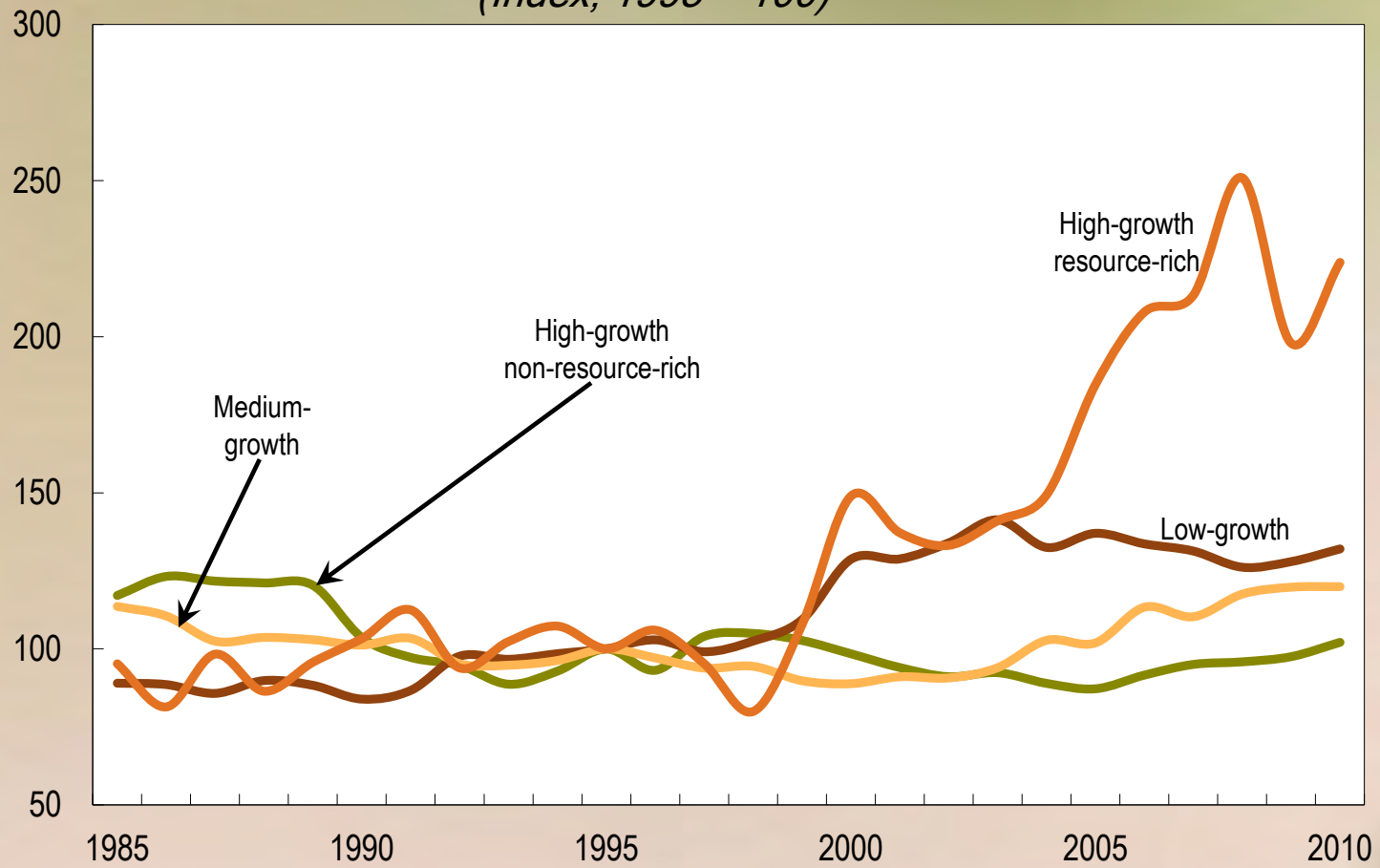
What Is Not Driving Growth (2): Natural Resources

(excluding Equatorial Guinea from resource-rich)



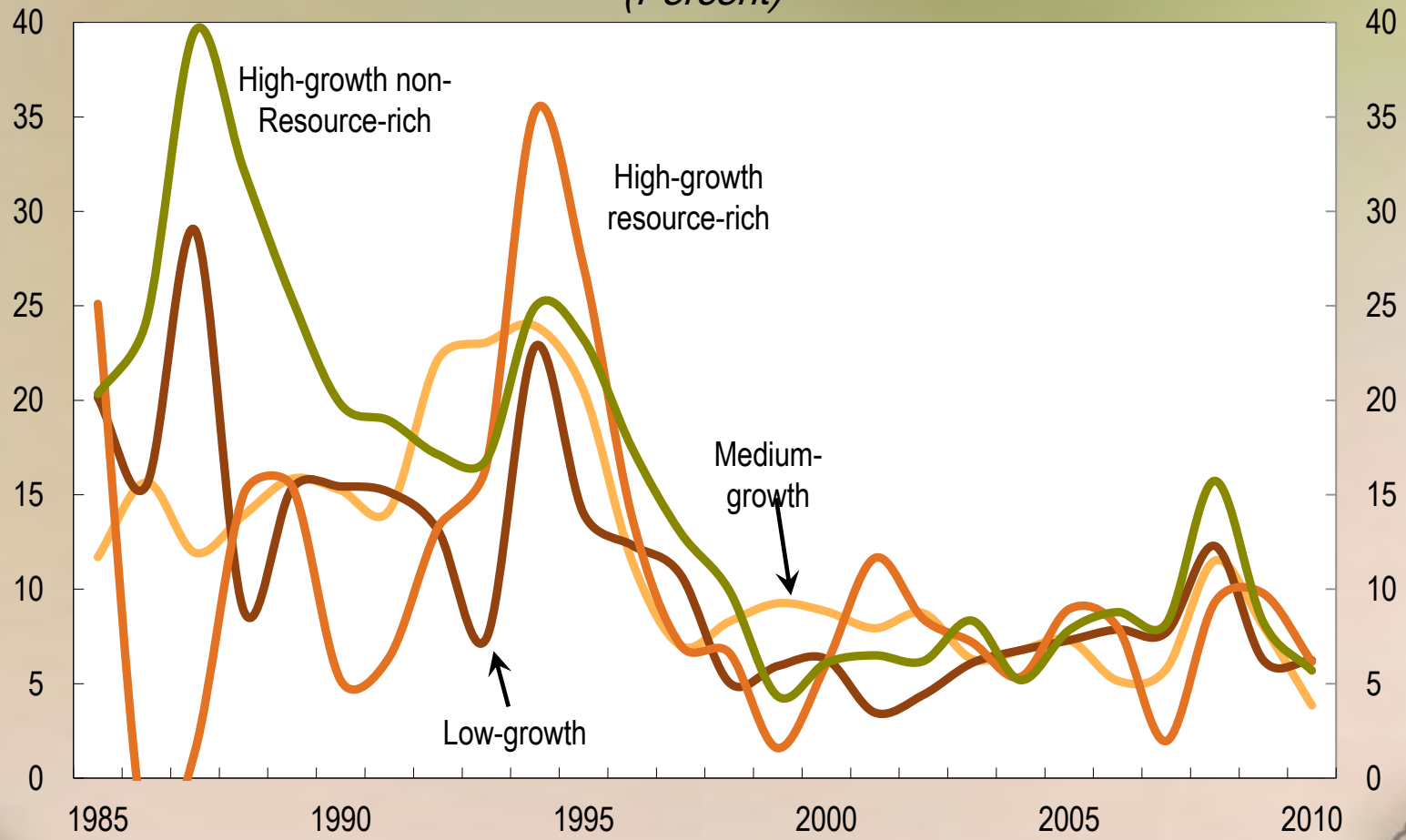
What Is Not Driving Growth (3): Terms of Trade

Sub-Saharan Africa: Terms of Trade
(Index, 1995 = 100)



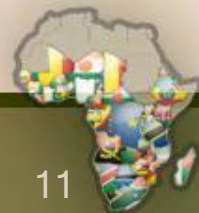
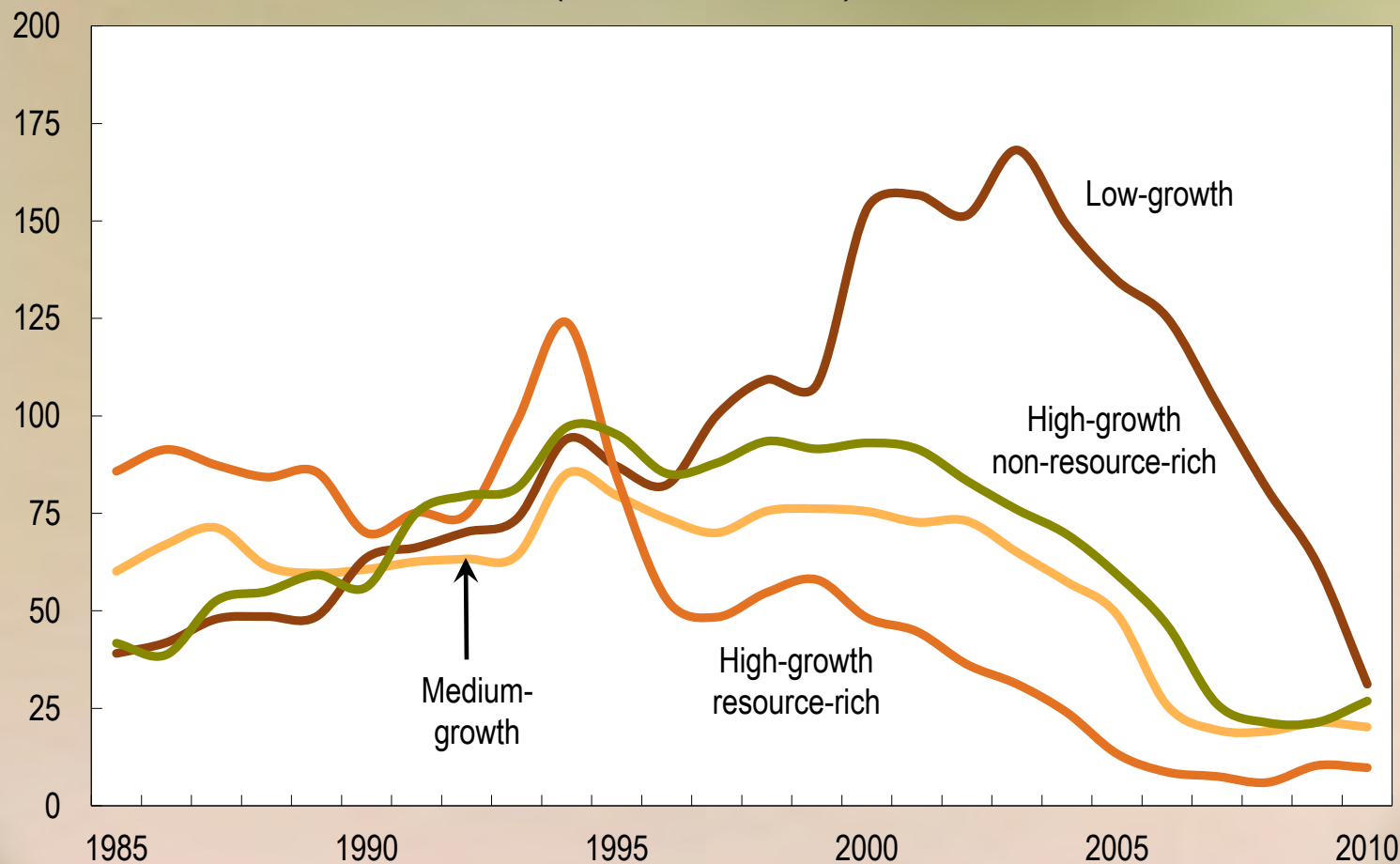
What Has Helped (1): Disinflation

Sub-Saharan Africa: Inflation
(Percent)

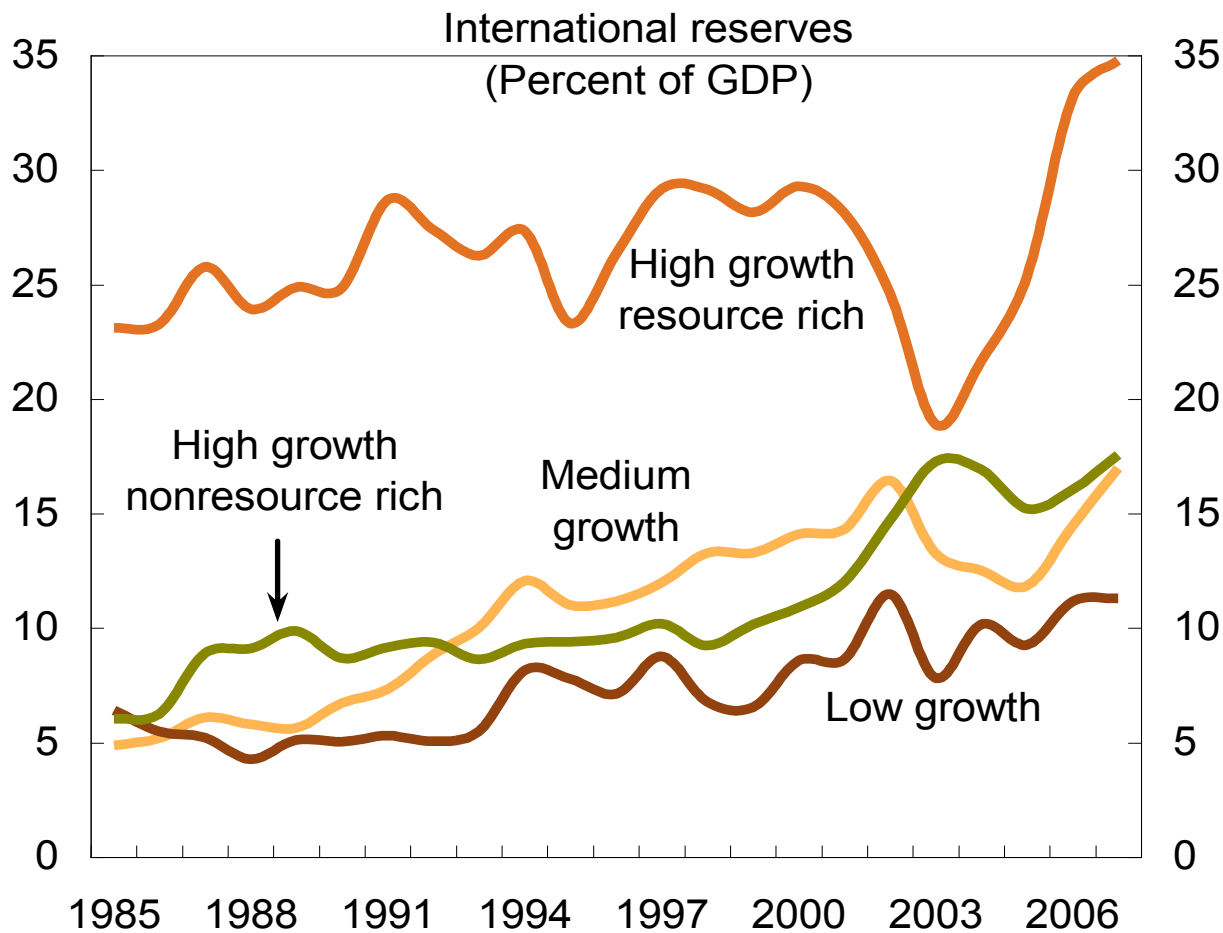


What Has Helped (2): External Debt

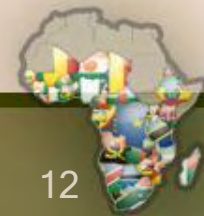
Sub-Saharan Africa: External Debt
(Percent of GDP)



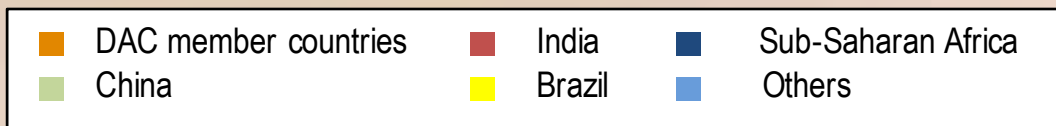
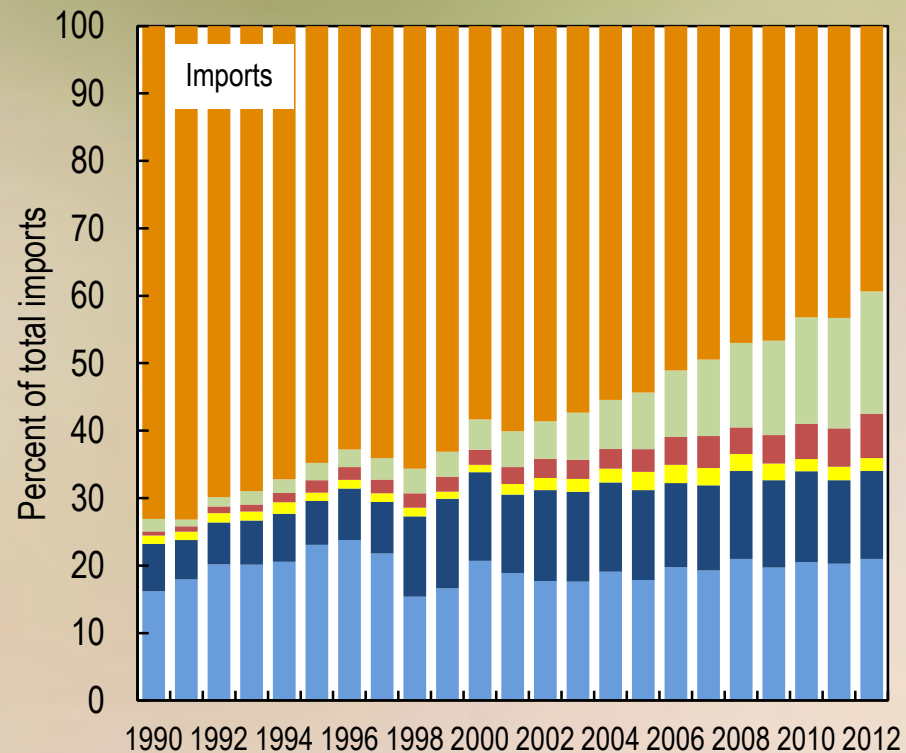
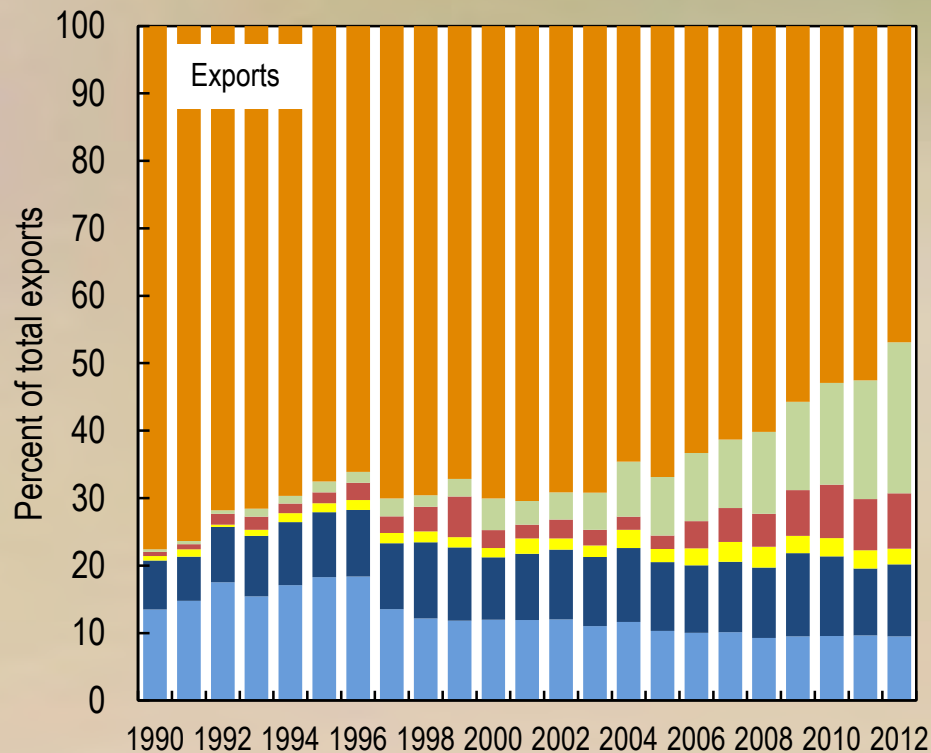
What Has Helped (3): Reserves



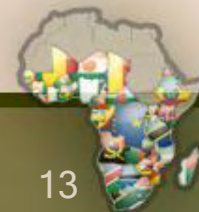
Source: IMF, African Department database.



What May Have Helped (1): Changing trade Patterns

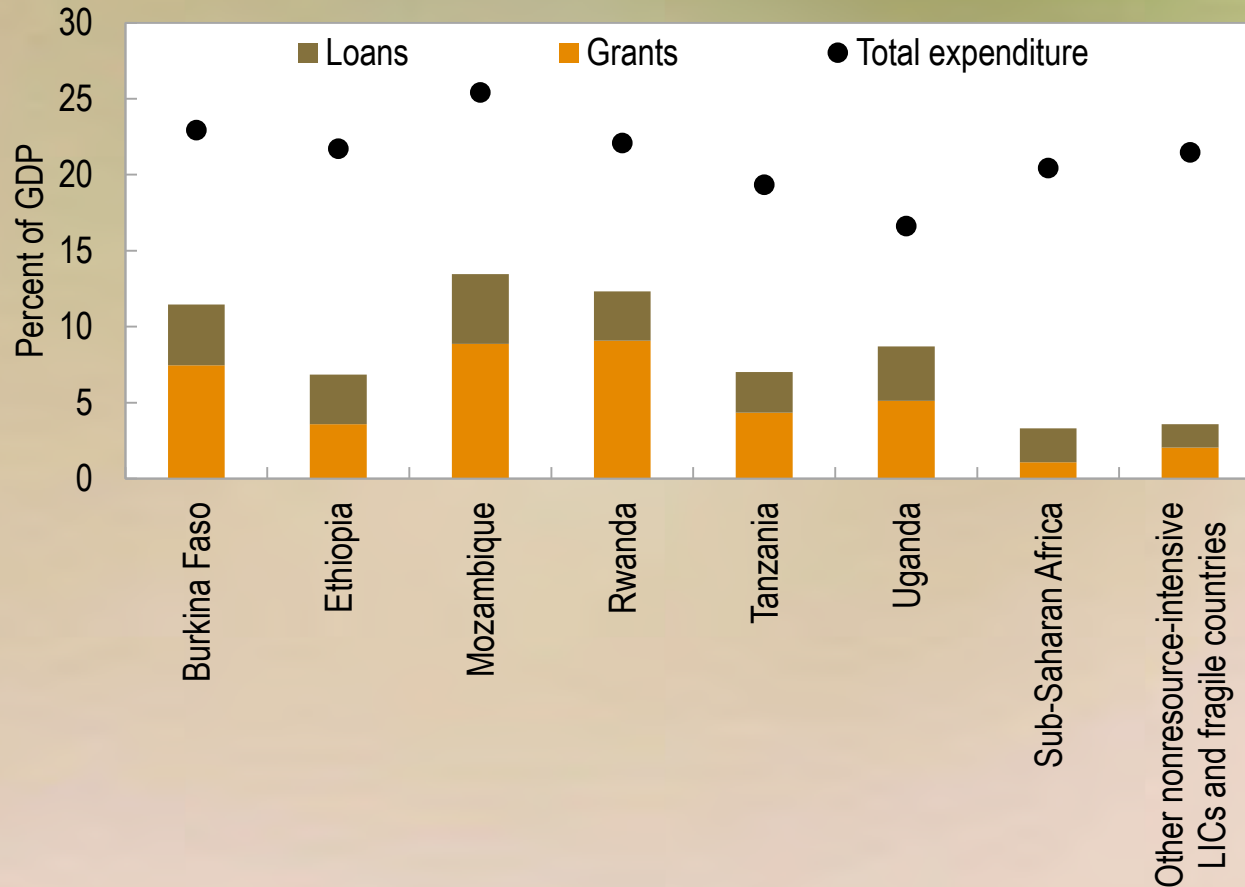


Source: IMF, Direction of Trade Statistics.

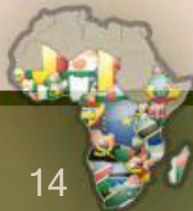


What May Have Helped (2): Rising Aid Inflows

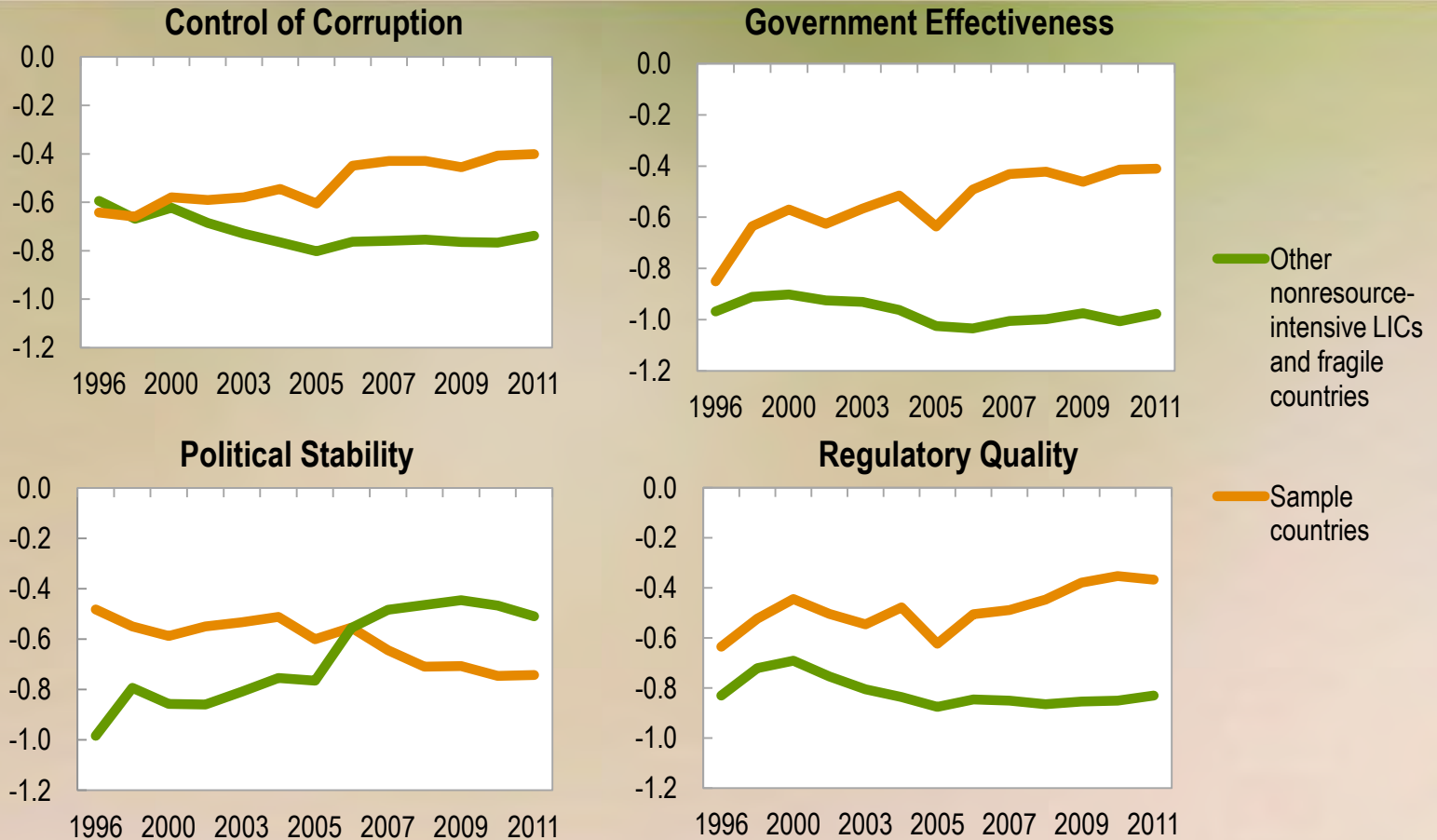
Sub-Saharan Africa Sample Countries: Donor Financing, Average 1995–2010



Sources: IMF, African Department database; and IMF, World Economic Outlook database.



What May Have Helped (3): Political/Structural Reform



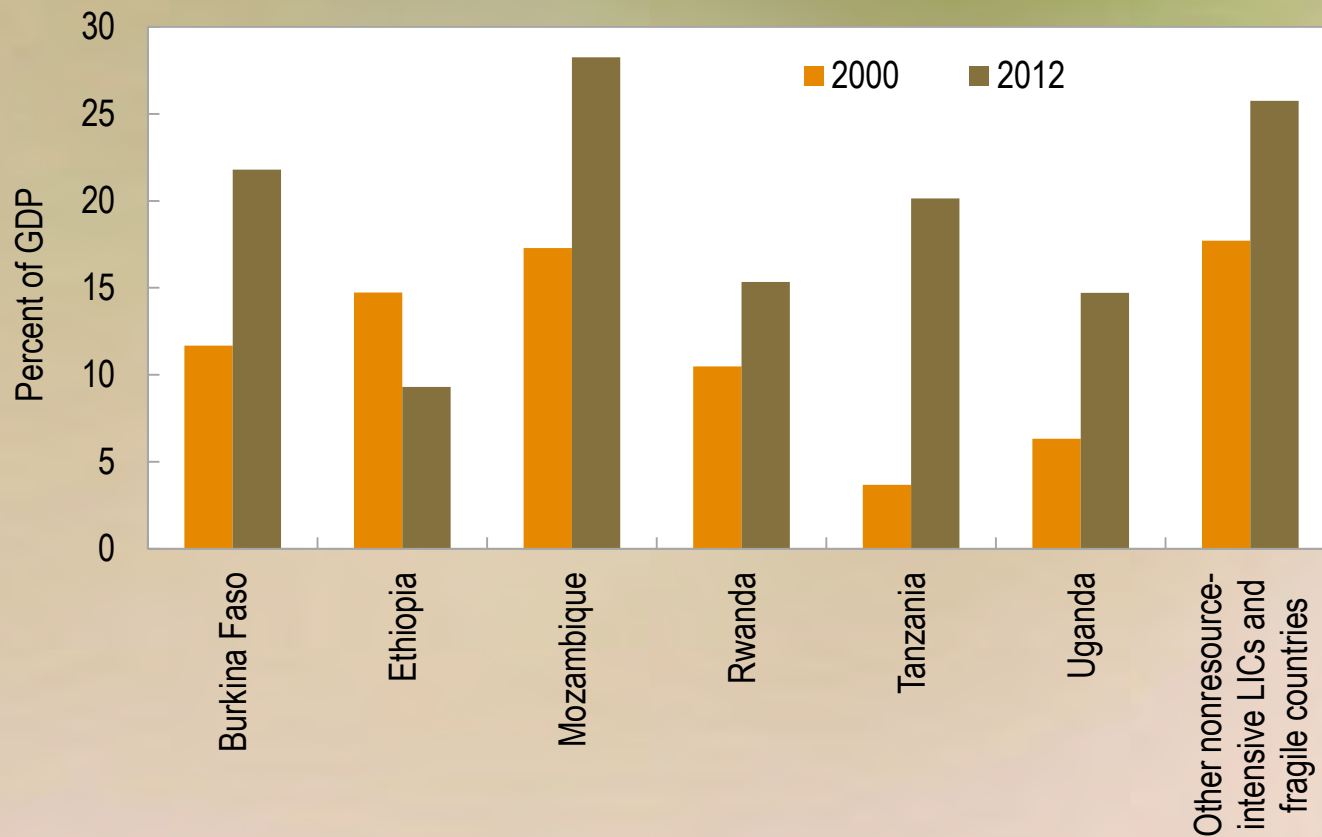
Source: IMF staff estimates based on World Bank, *Worldwide Governance Indicators*.

Note: LIC signifies low-income country. The composite measures of governance of the *Worldwide Governance Indicators* are expressed in units of a standard normal distribution, with mean zero, standard deviation of one, and running from approximately -2.5 to 2.5, with higher values corresponding to better governance.

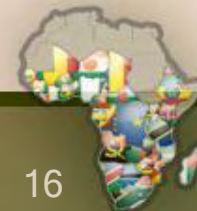


Results (1): Financial Deepening

Sub-Saharan Africa Sample Countries: Credit to the Private Sector

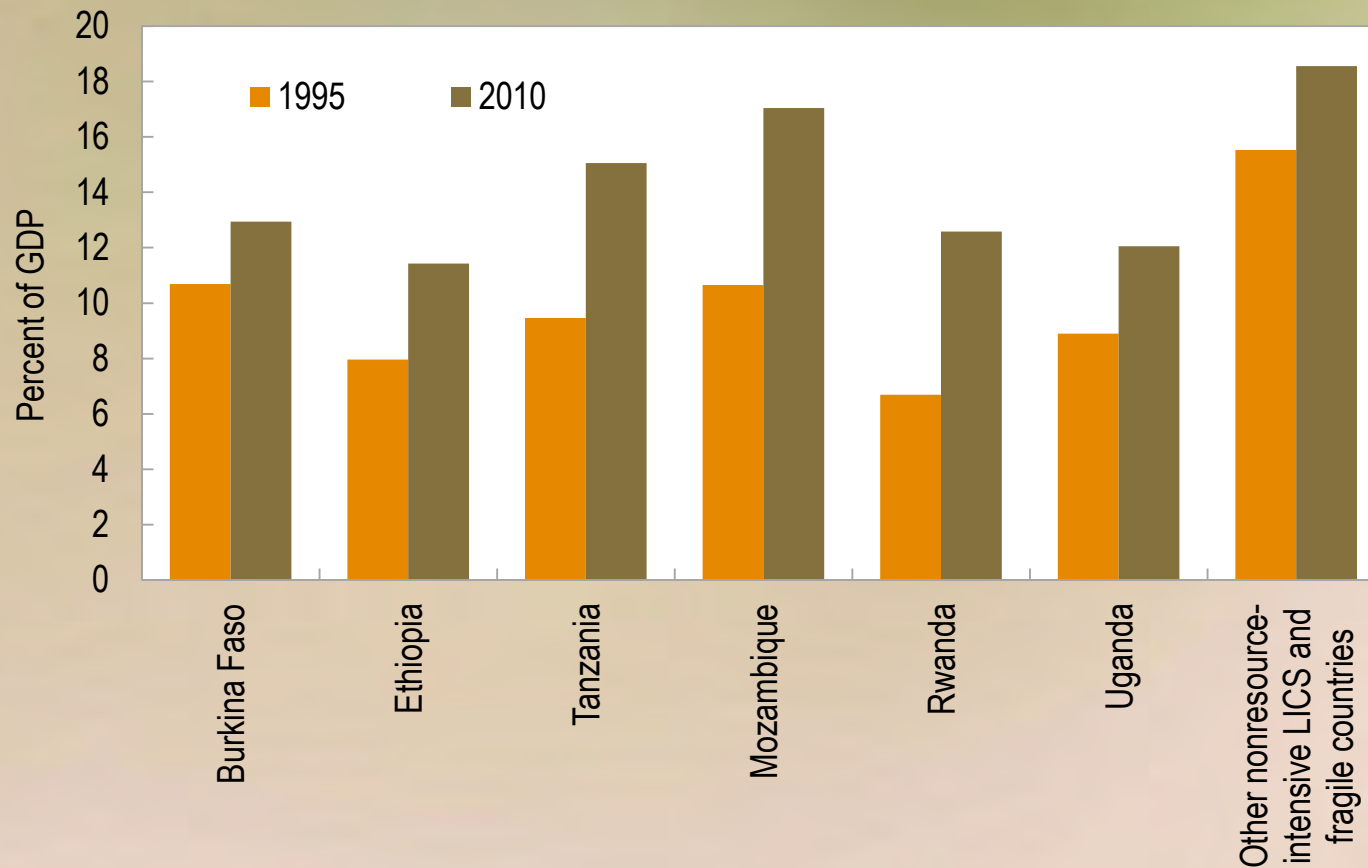


Sources: IMF, African Department database; and IMF, World Economic Outlook database.

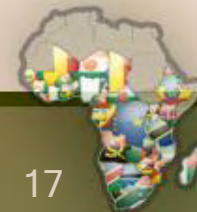


Results (2): Broadening the Tax Base

Sub-Saharan Africa Sample Countries: Tax Revenue, 1995 and 2010

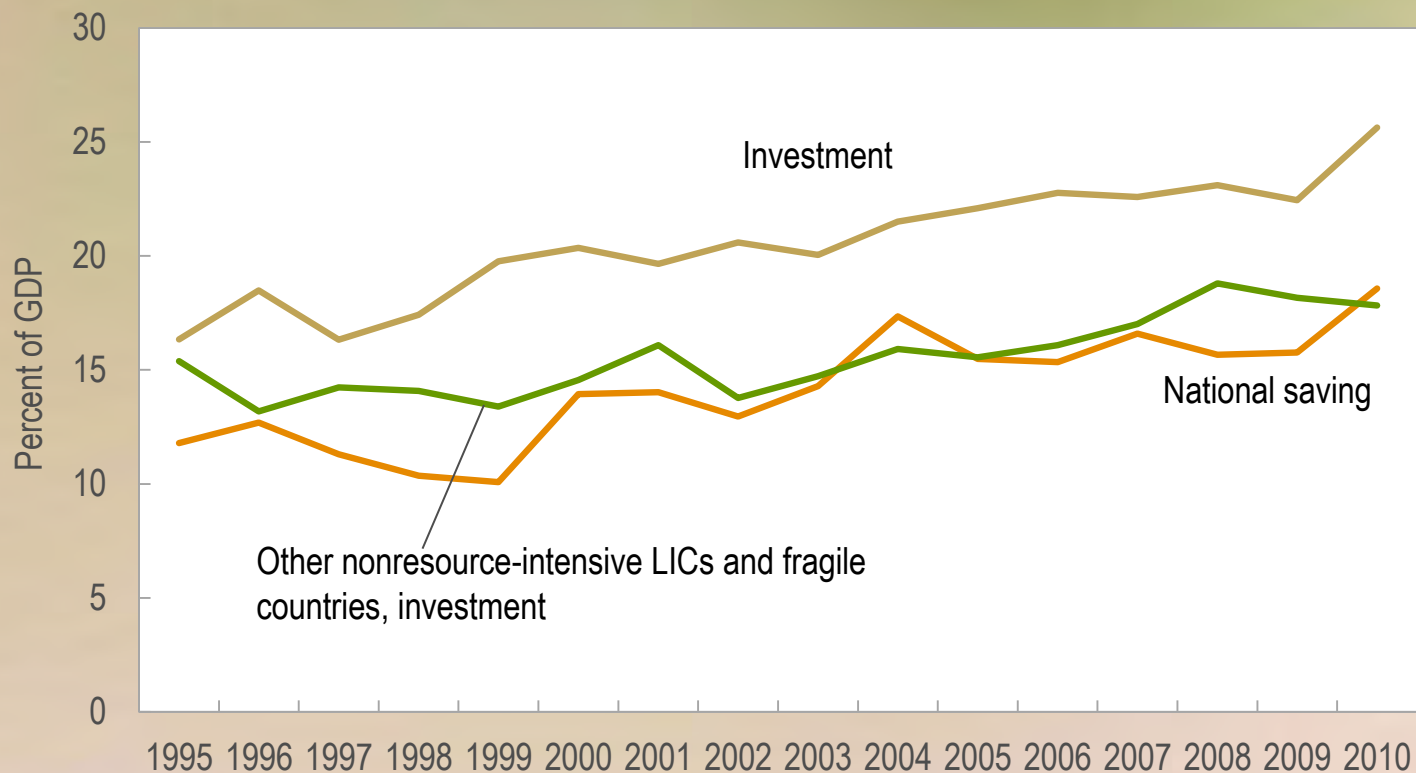


Source: IMF, World Economic Outlook database.



Results (3): Rising Investment

Sub-Saharan Africa Sample Countries: Saving and Investment, 1995–2010

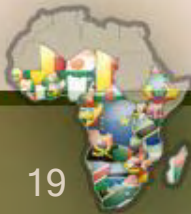


Source: IMF, World Economic Outlook database.

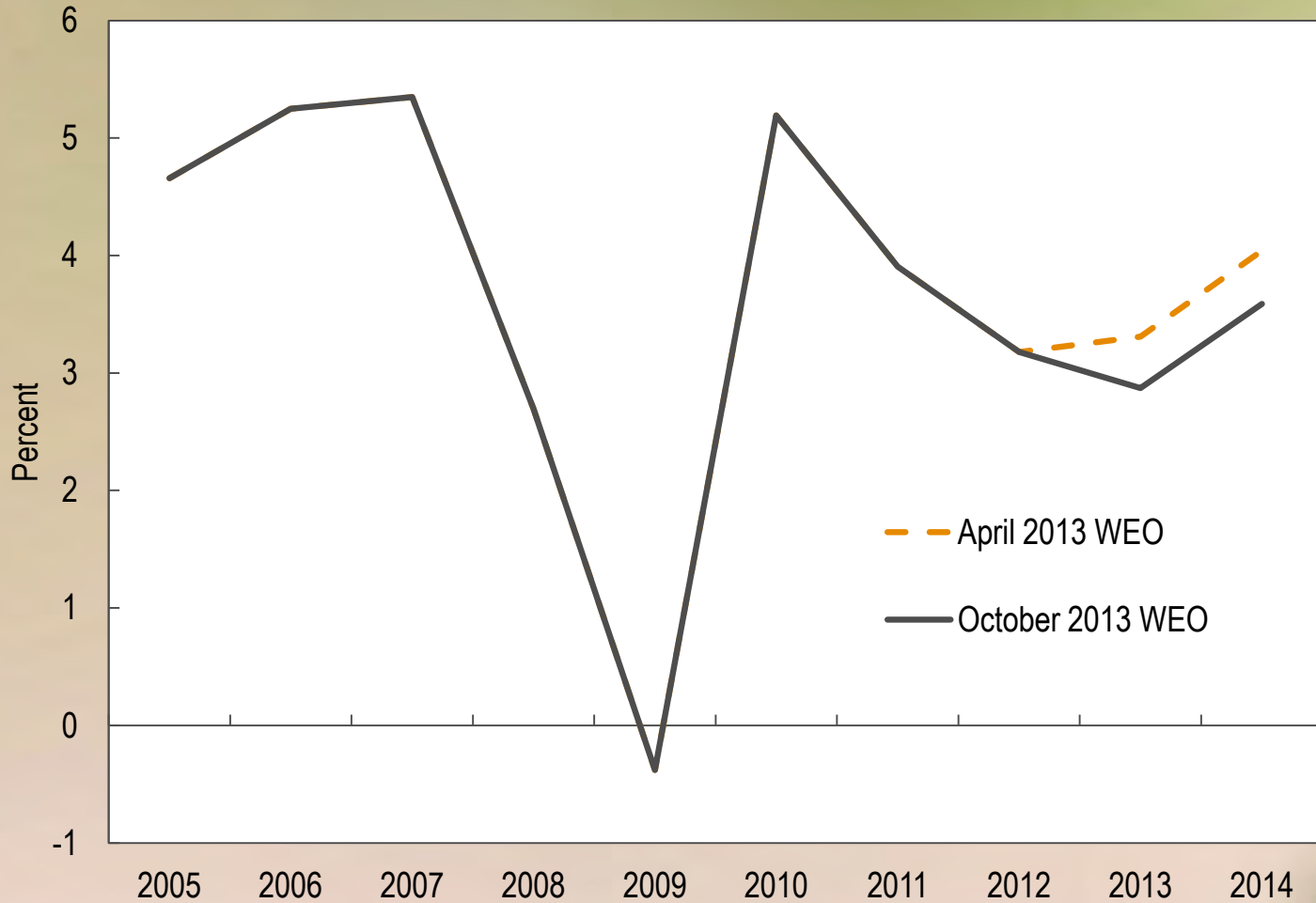


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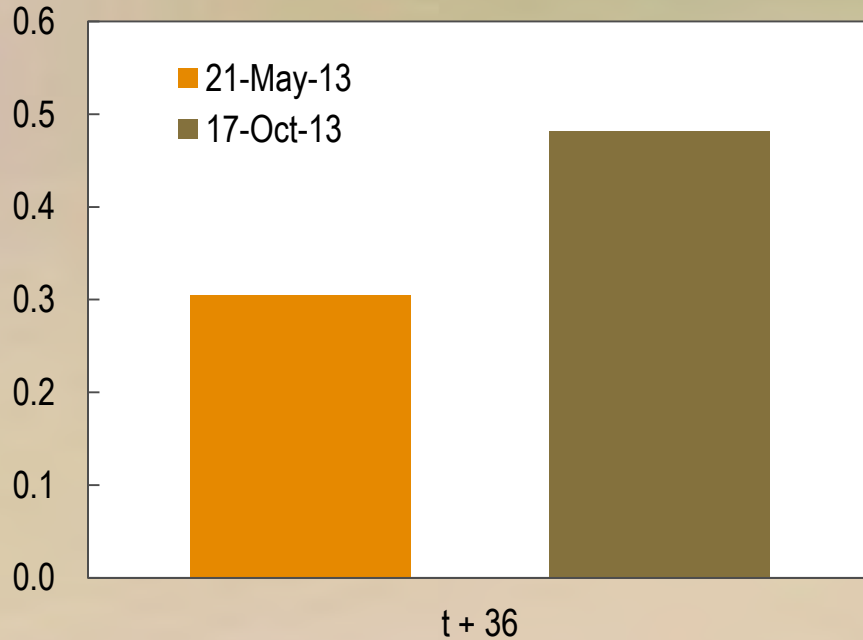


Global Context 1: Growth transitions



Global Context 2: Tightening liquidity, softening commodity prices

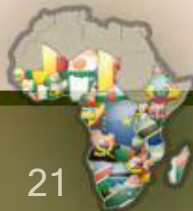
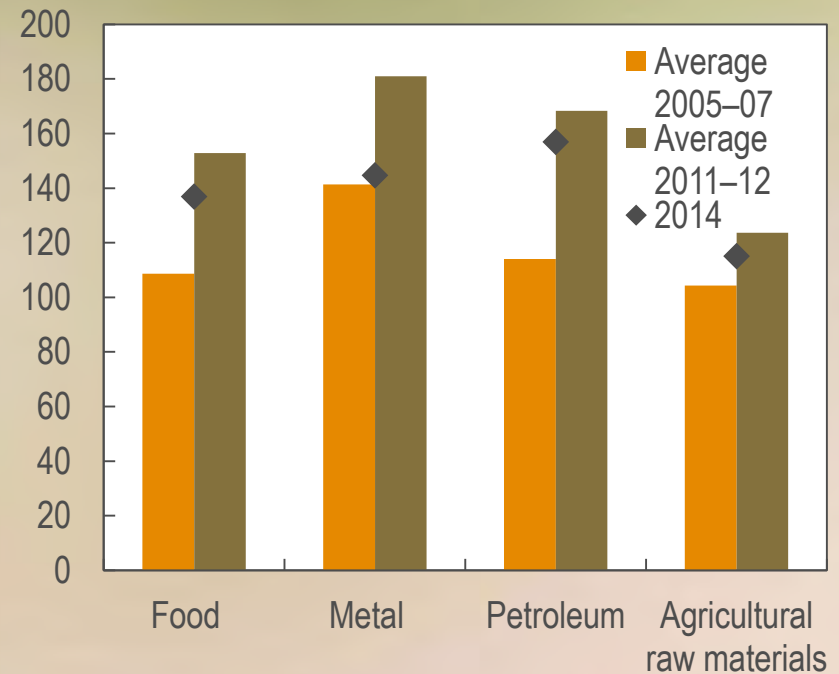
U.S. Policy Rate Expectations¹



Source: Bloomberg, L.P.

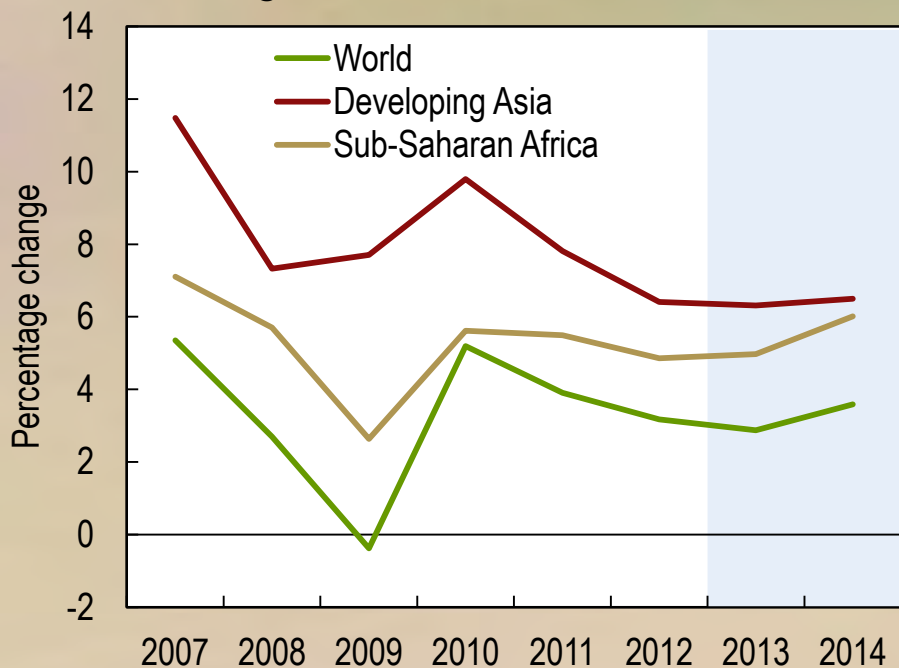
¹Expectations are based on the federal funds rate for the United States; updated October 17, 2013.

Real Global Commodity Prices

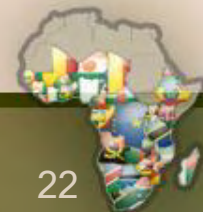
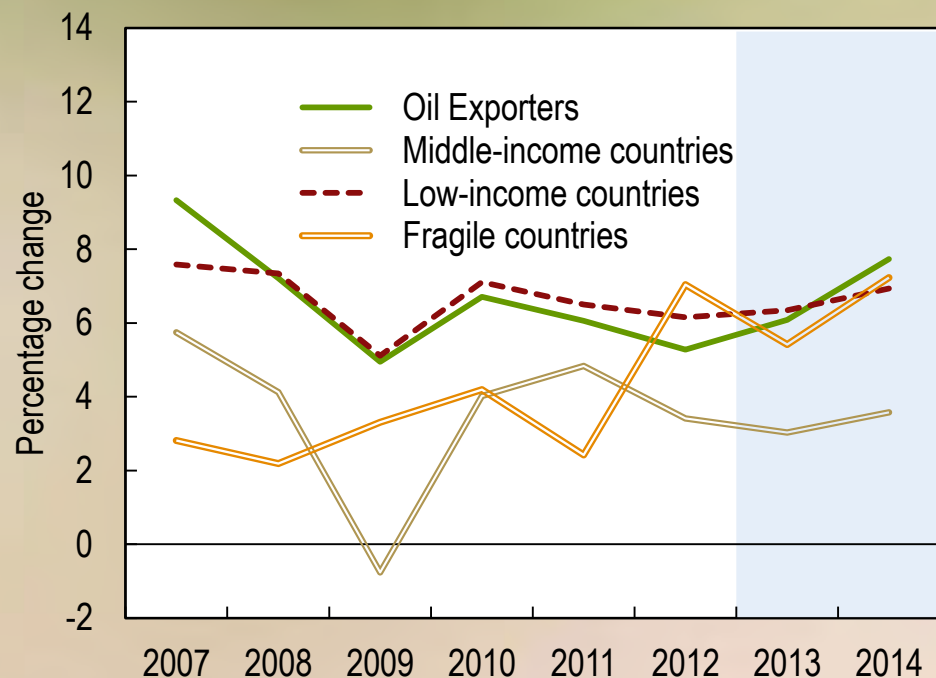


Growth in Sub-Saharan Africa to remain strong

Selected Regions: Real GDP Growth 2007-14

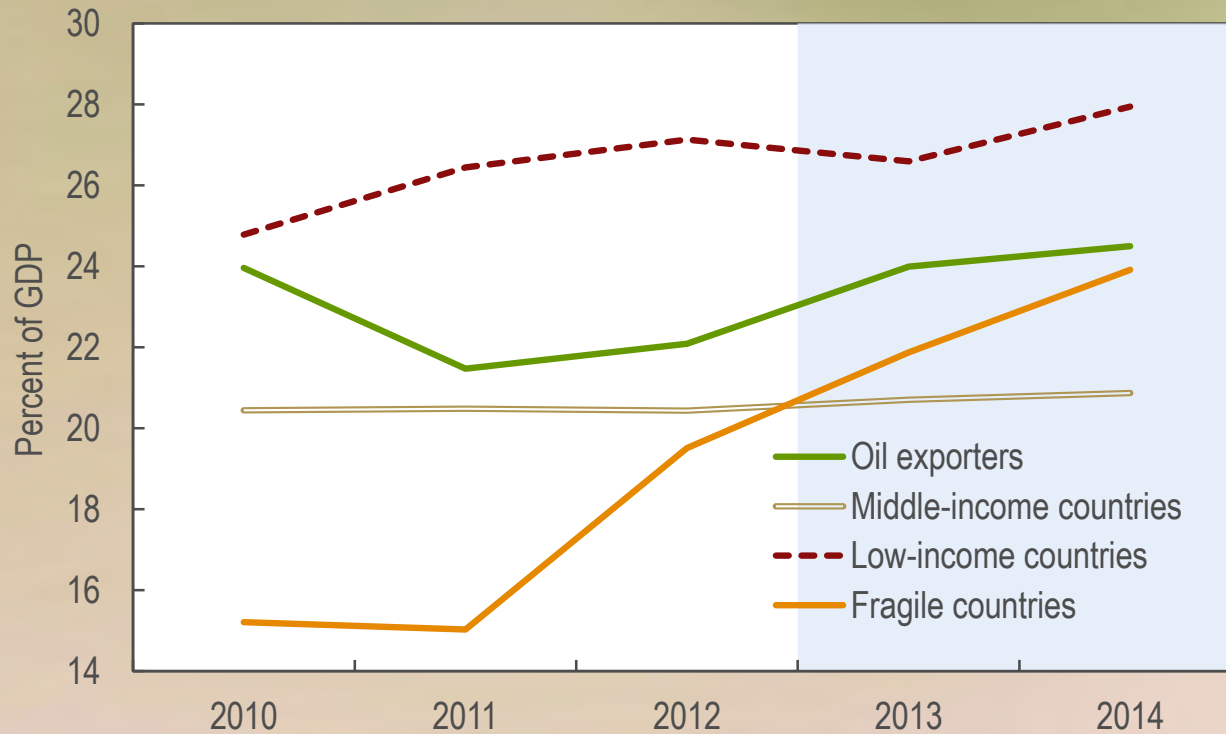


Sub-Saharan Africa: Real GDP Growth, 2007-14



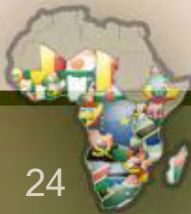
Rising investment remains driver of growth

Sub-Saharan Africa: Investment, 2010-14



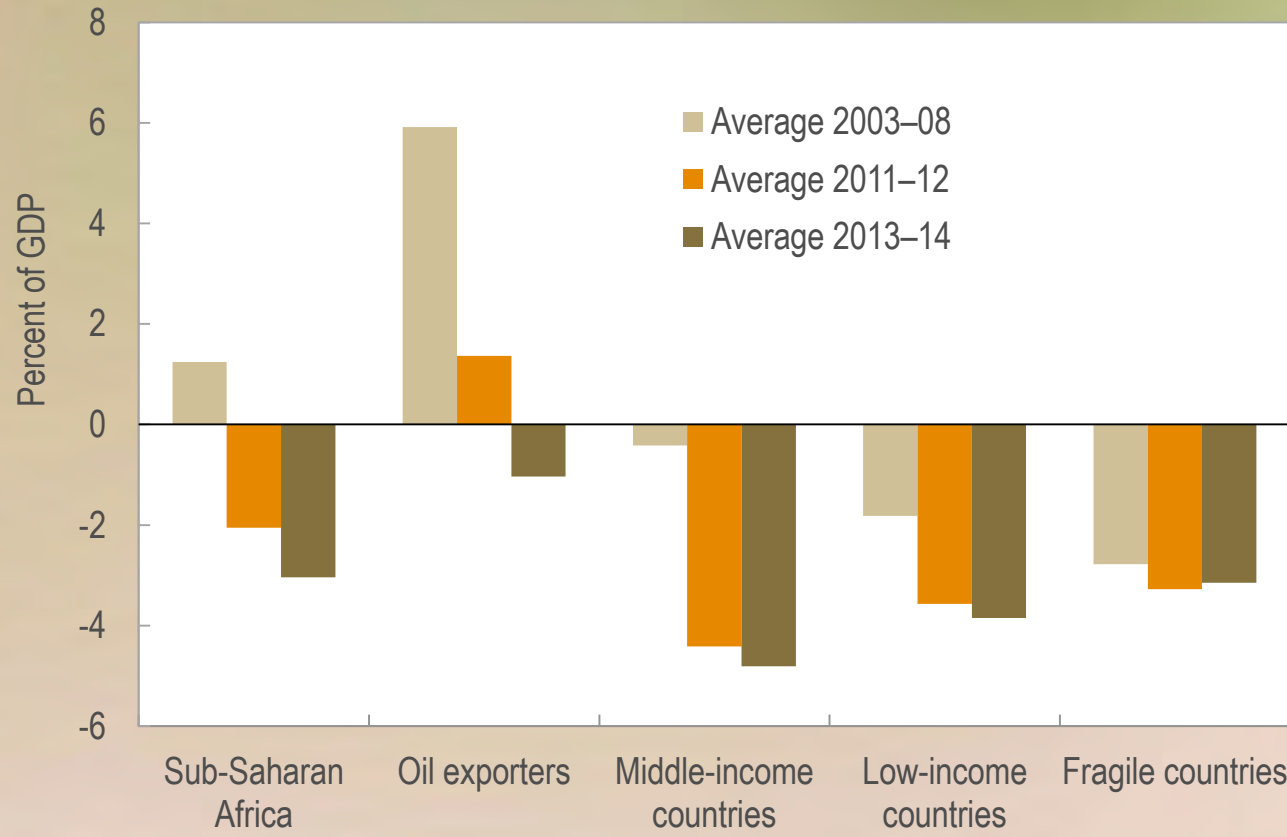
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Short-term risks (1) Fiscal deficits remain elevated in many countries

Sub-Saharan Africa: Overall Fiscal Balance

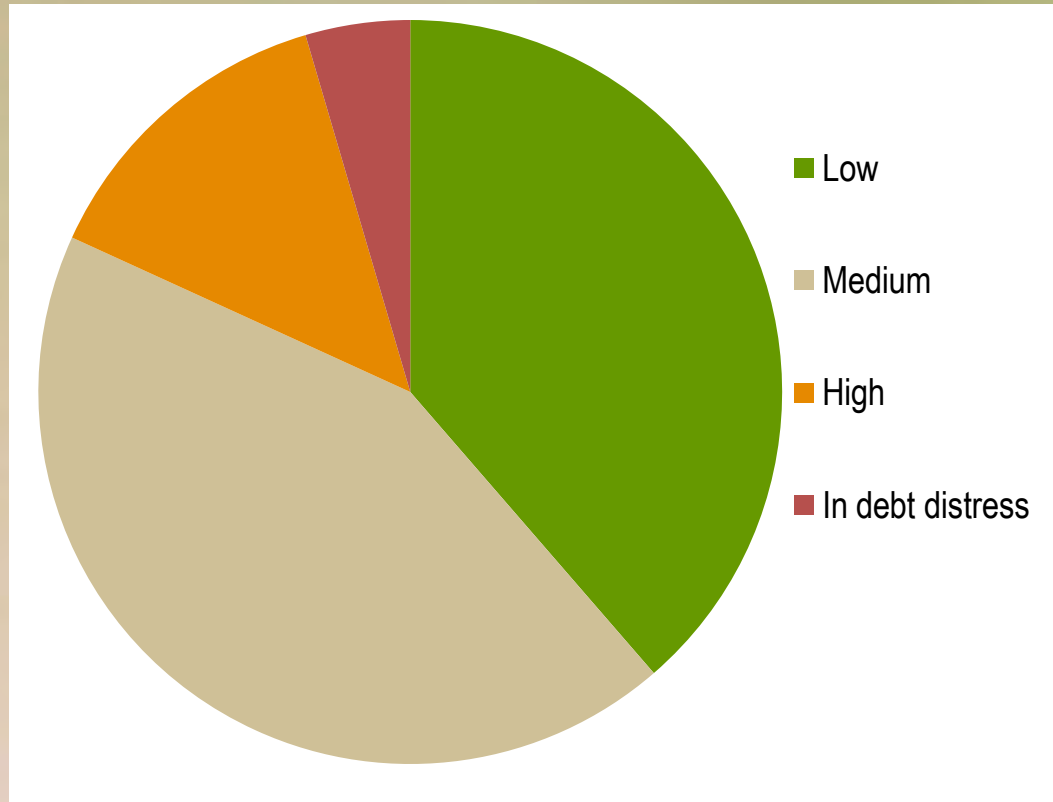


Source: IMF, World Economic Outlook database.



But debt levels remain low or moderate in most countries

Sub-Saharan Africa: Risk of Debt Distress
(Percent of countries)



Note: Number of countries with low, moderate, high, and in debt distress categories from debt sustainability analysis. The index for nine middle-income and oil-exporting countries is based on the recent Article IV staff reports and the staff's discretionary assessment.



Short-term risks (2): Current account deficits have also widened ...

Sub-Saharan Africa: Number of Countries with External Current Account Deficits Greater than 5 Percent

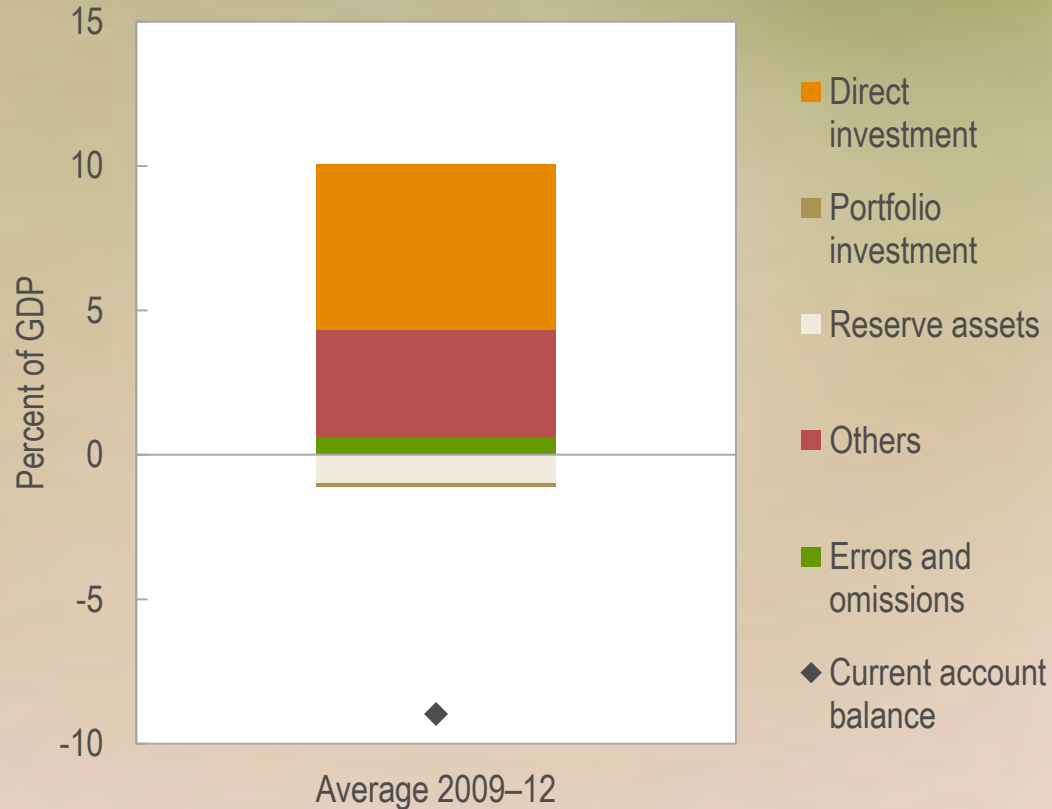


Source: IMF, World Economic Outlook database; and IMF staff calculations.



... but they been financed largely by foreign direct investment

Sub-Saharan Africa: Balance of Payments, Average 2009–12

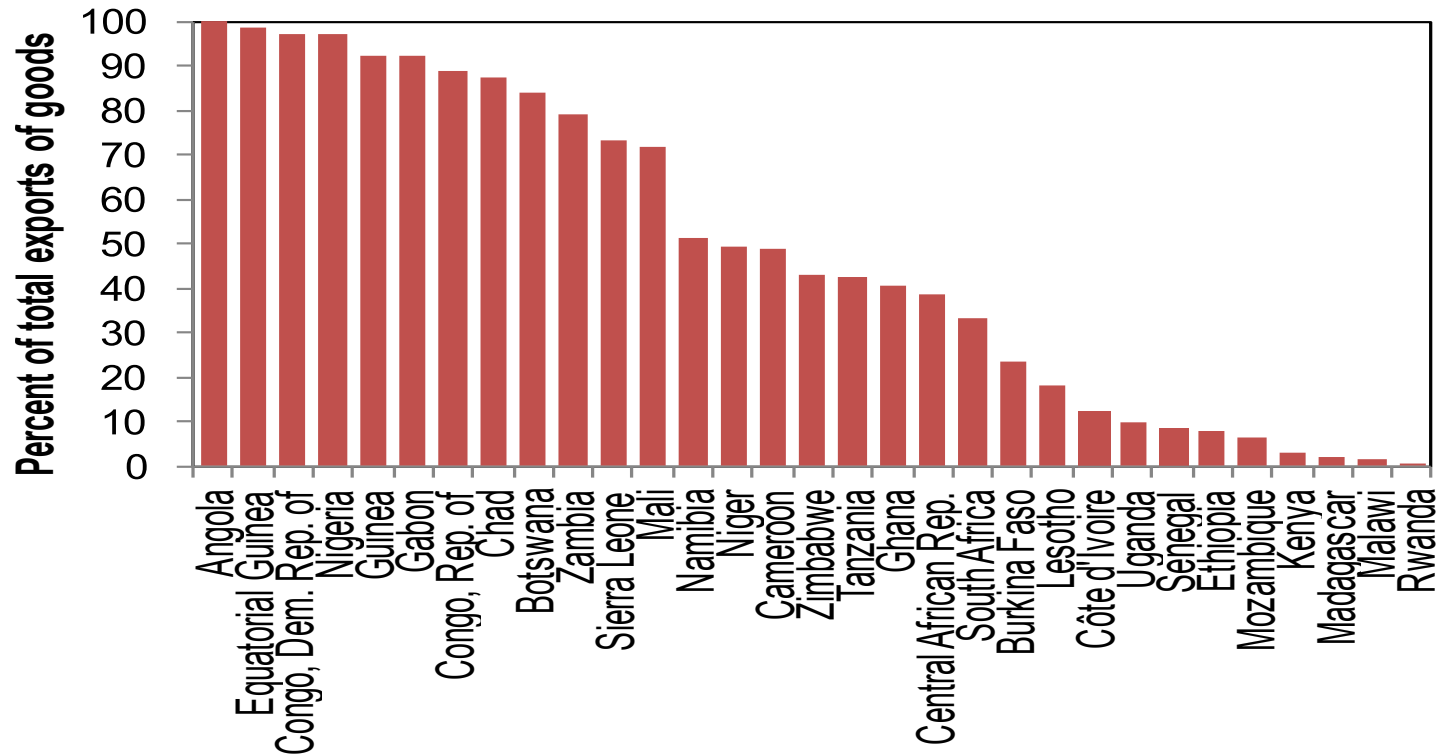


Source: IMF, World Economic Outlook database.



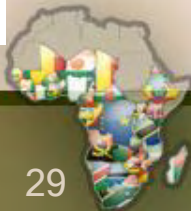
Medium-term Challenges (1): Natural Resources

SSA Resource Exports, Average 2005-2011¹

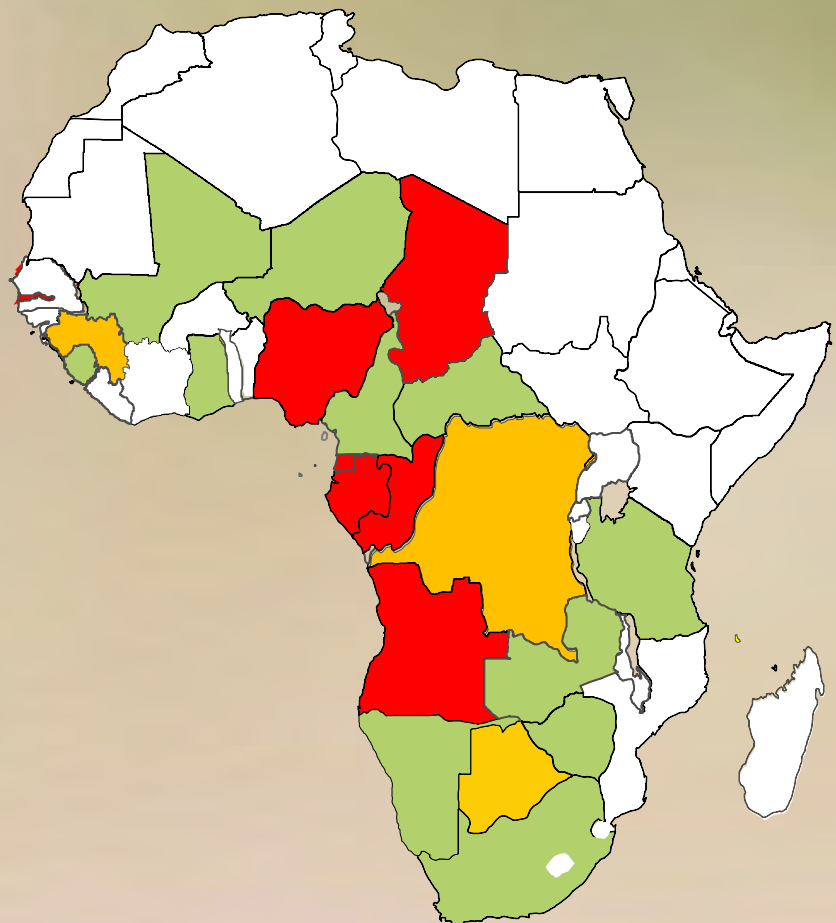


Source: IMF, African Department database.

¹ Data for Côte d'Ivoire and Senegal excludes re-exports of refined oil products.

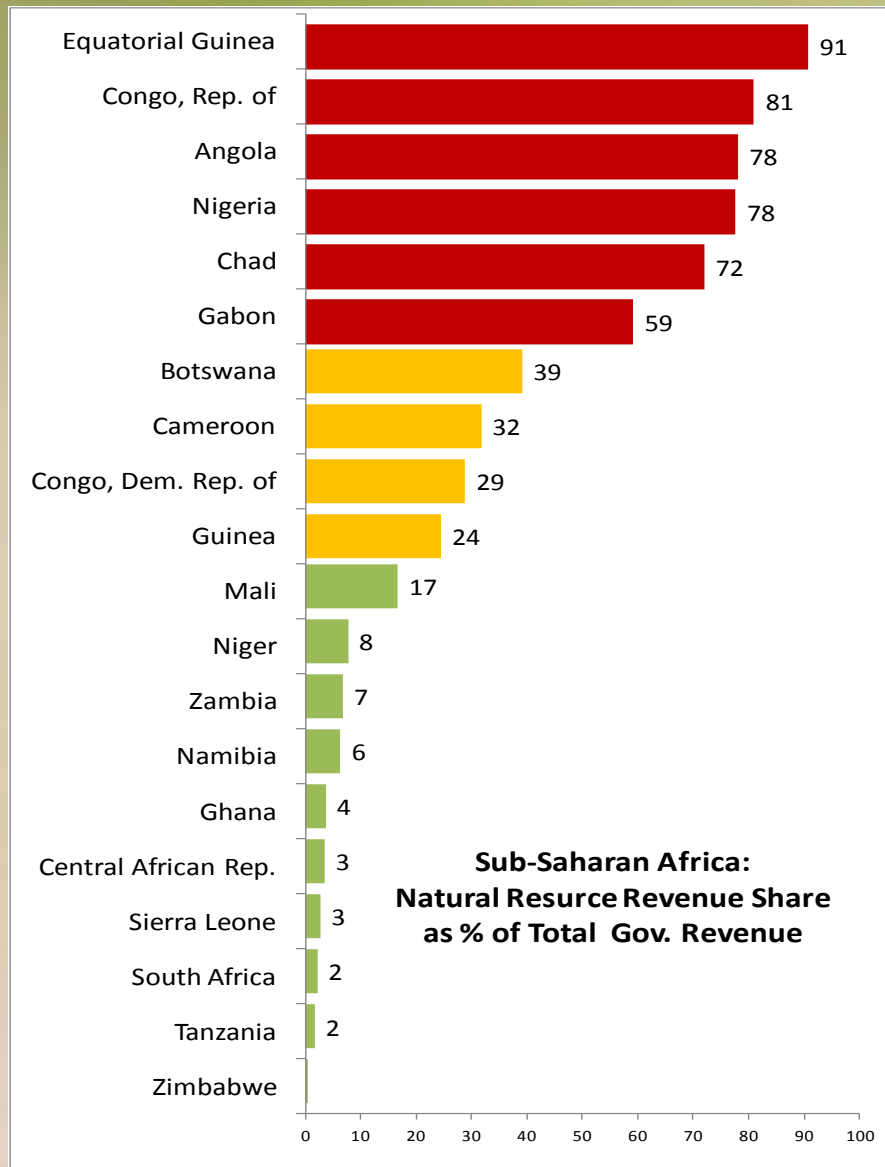


SSA Resource Revenue, Average 2005-2011

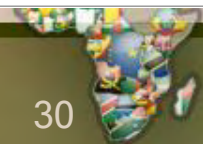


Natural Resource Share

■ High Impact	>=50% of Total Revenue (excluding grants)
■ Medium Impact	20-50% of Total Revenue (excluding grants)
■ Low Impact	<20% of Total Revenue (excluding grants)

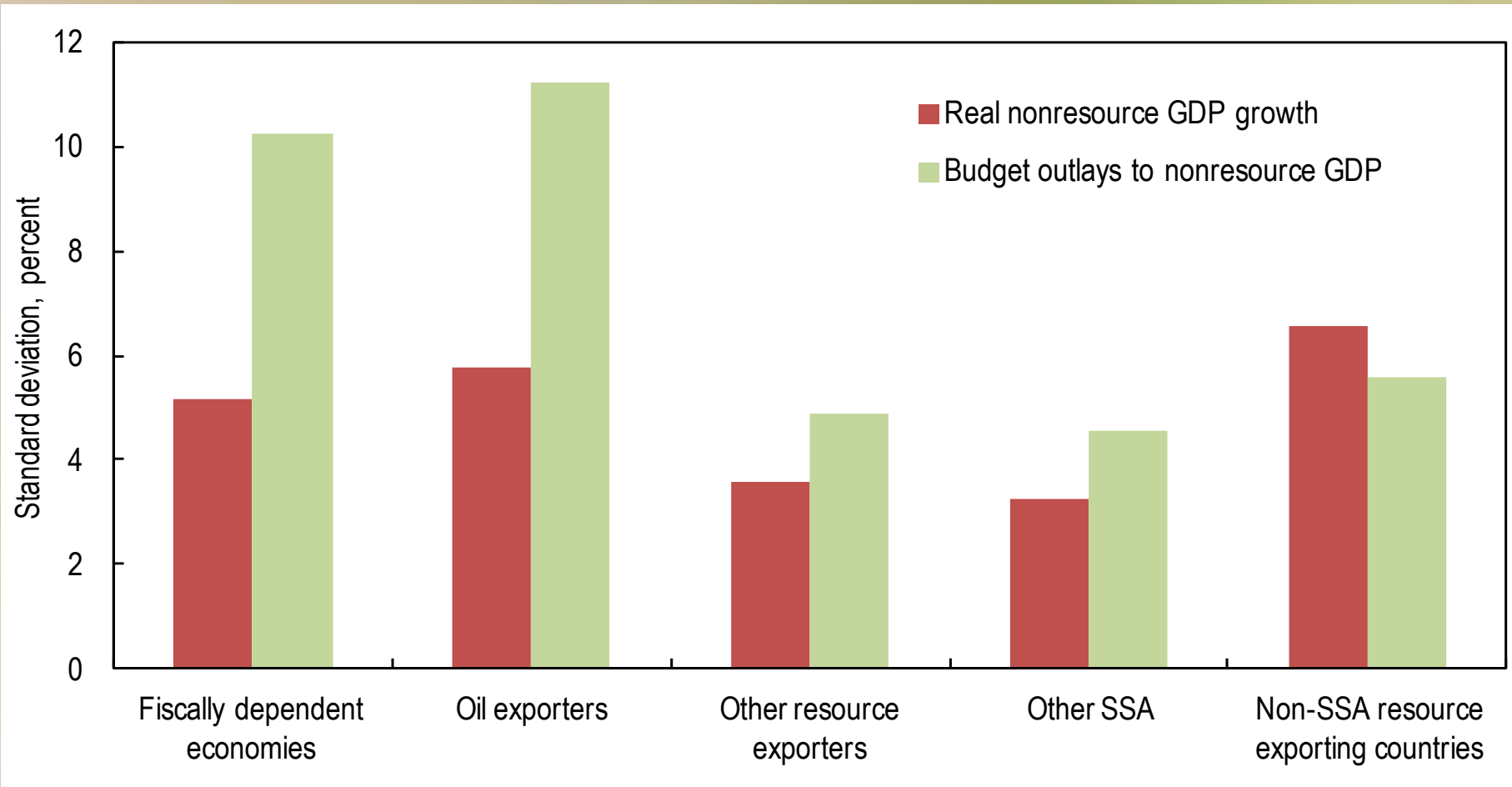


**Sub-Saharan Africa:
Natural Resource Revenue Share
as % of Total Gov. Revenue**



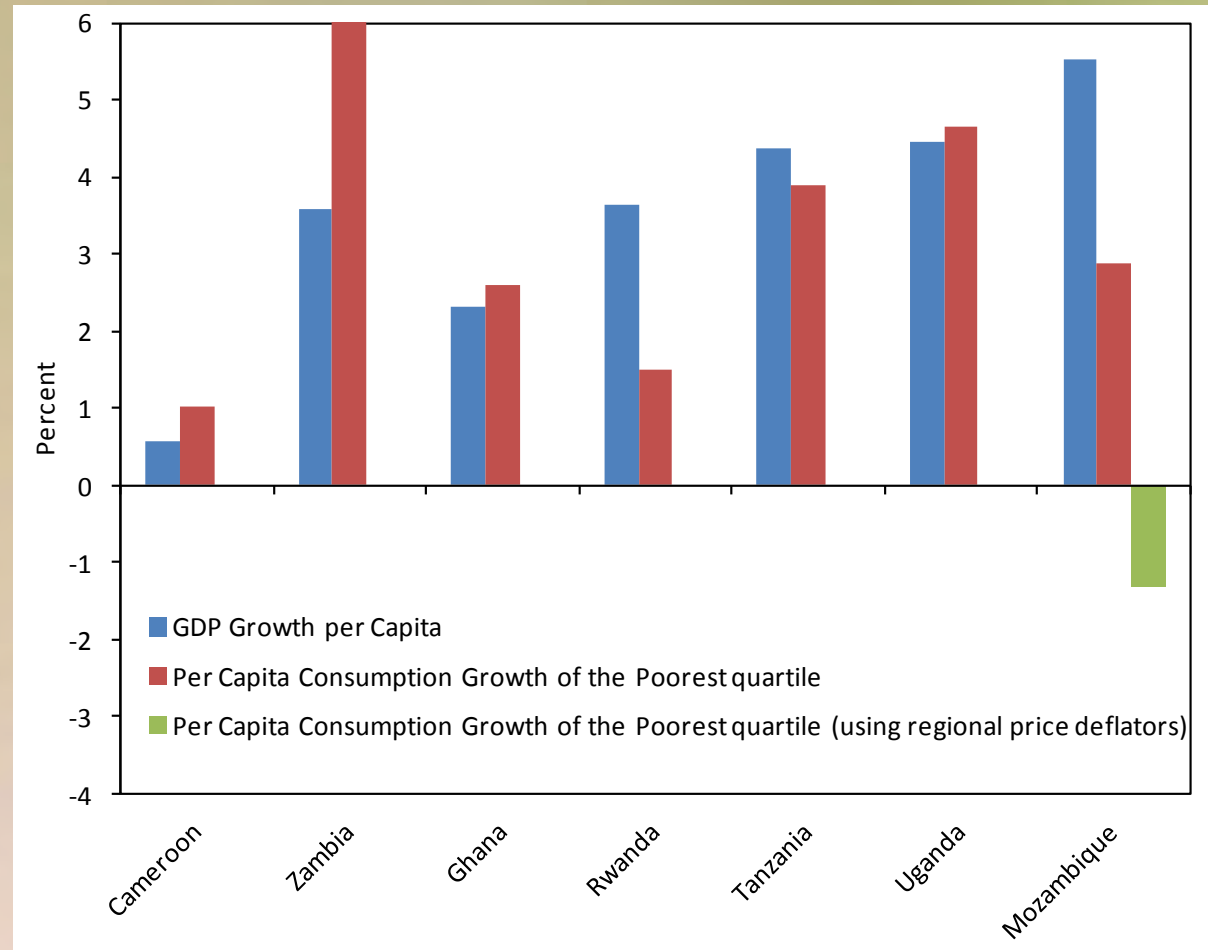
Macroeconomic volatility: elevated in many natural-resource exporters.

Volatility Indicators, 2000–10

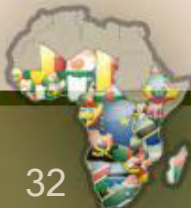


Medium-term Challenges (2): Inclusiveness

Per Capita GDP Growth and Consumption Growth of the Poorest Quartile



Source: International Monetary Fund, Regional Economic Outlook for Sub-Saharan Africa, October 2011



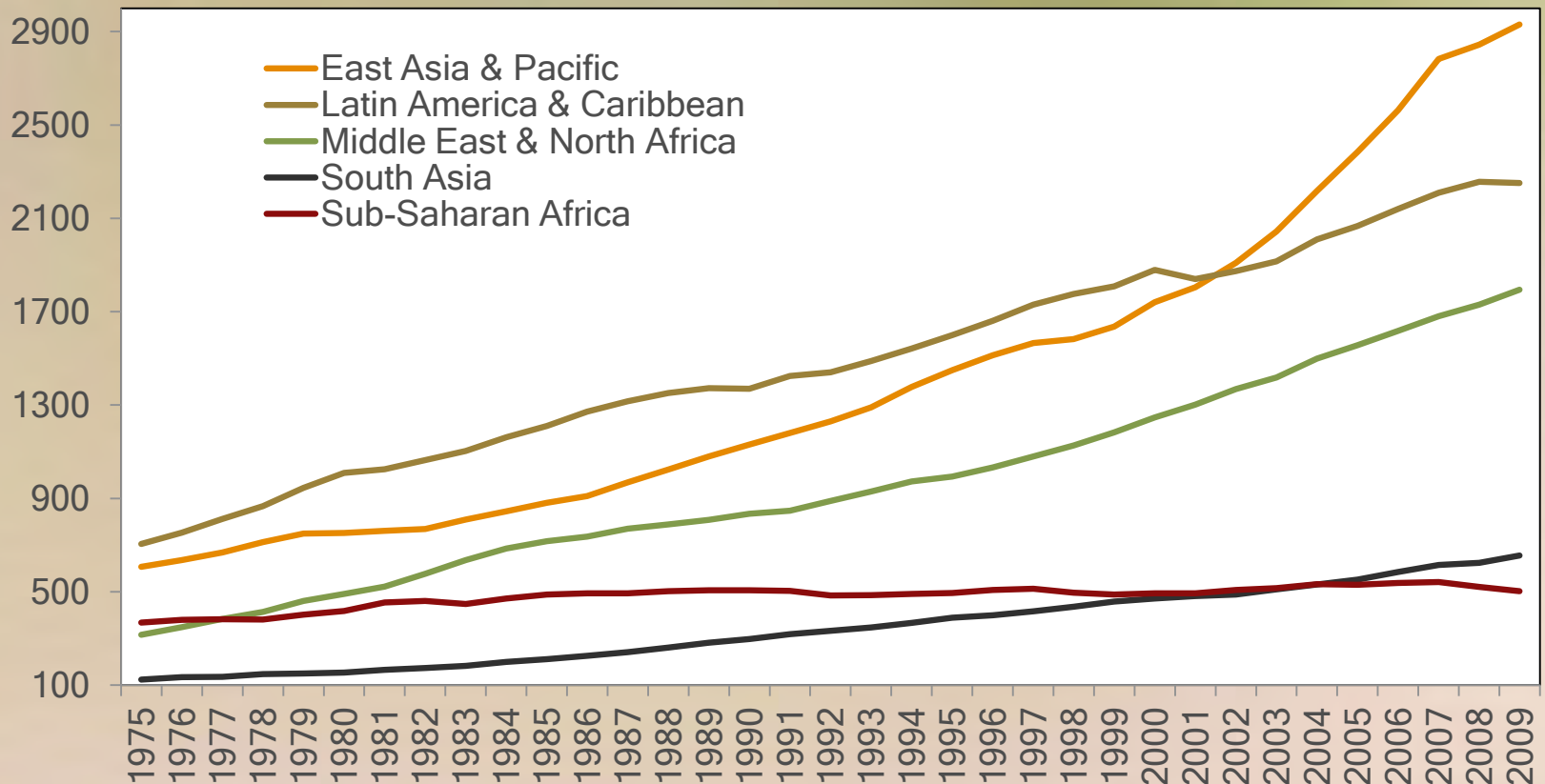
Medium-term Challenges (3a): Infrastructure

Normalized units	Sub Saharan Africa- Low Income Countries	Other Low Income Countries
Paved Road Density	31	134
Total road density	137	211
Main line density	10	78
Mobile density	55	76
Internet density	2	3
Generation Density	37	326
Electricity Coverage	16	41
Improved water	60	72
Improved sanitation	34	51

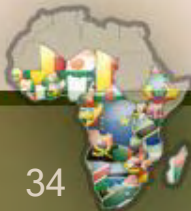


Medium-term Challenges (3b): Infrastructure - Energy

Electricity Production (kWh per capita)



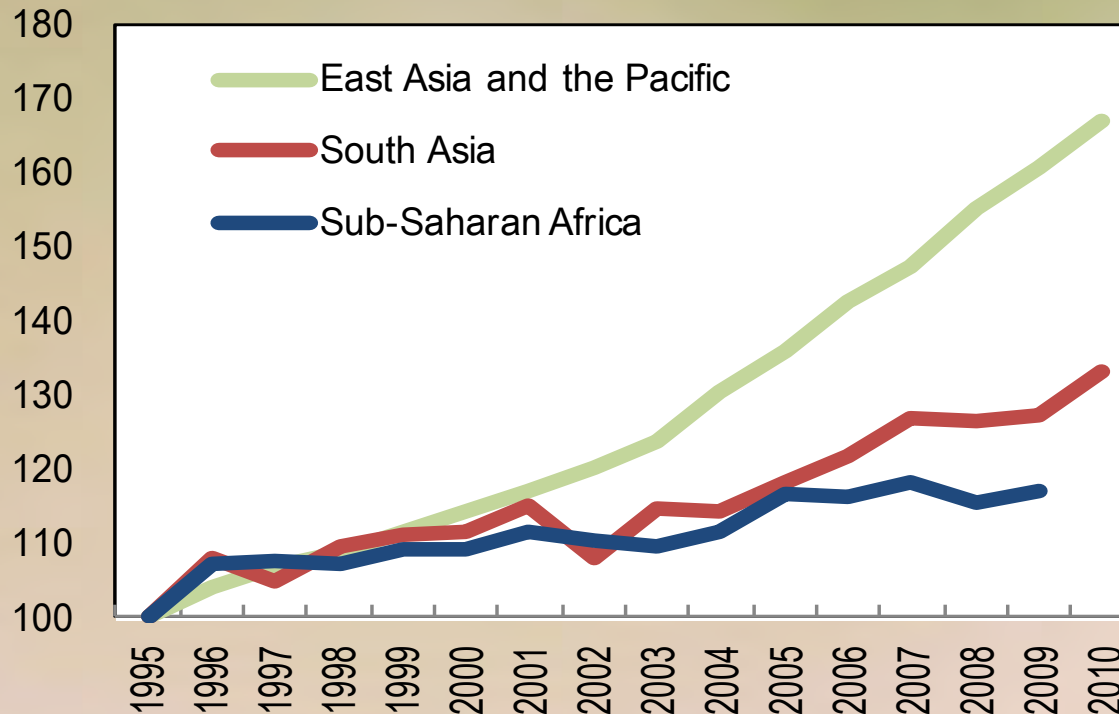
Source: World Development Indicators and IMF staff estimates.



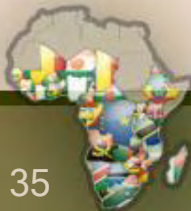
Medium-term Challenges (4)

Structural Transformation

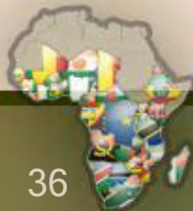
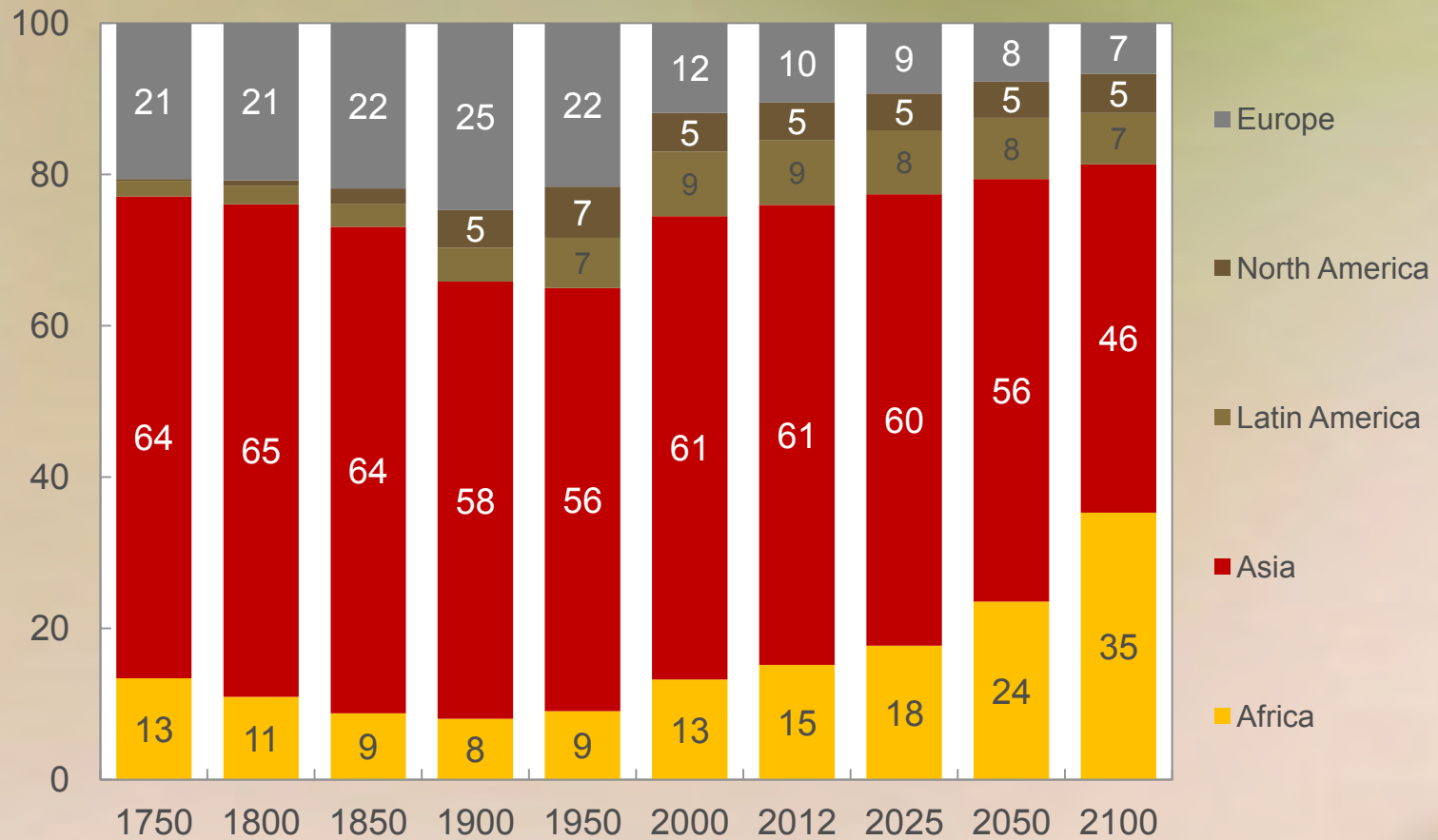
Average labor productivity in the agriculture sector
(Agriculture value added per worker, constant 2000 US\$, Index:
1995=100)



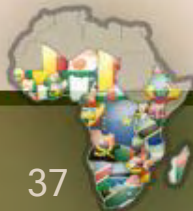
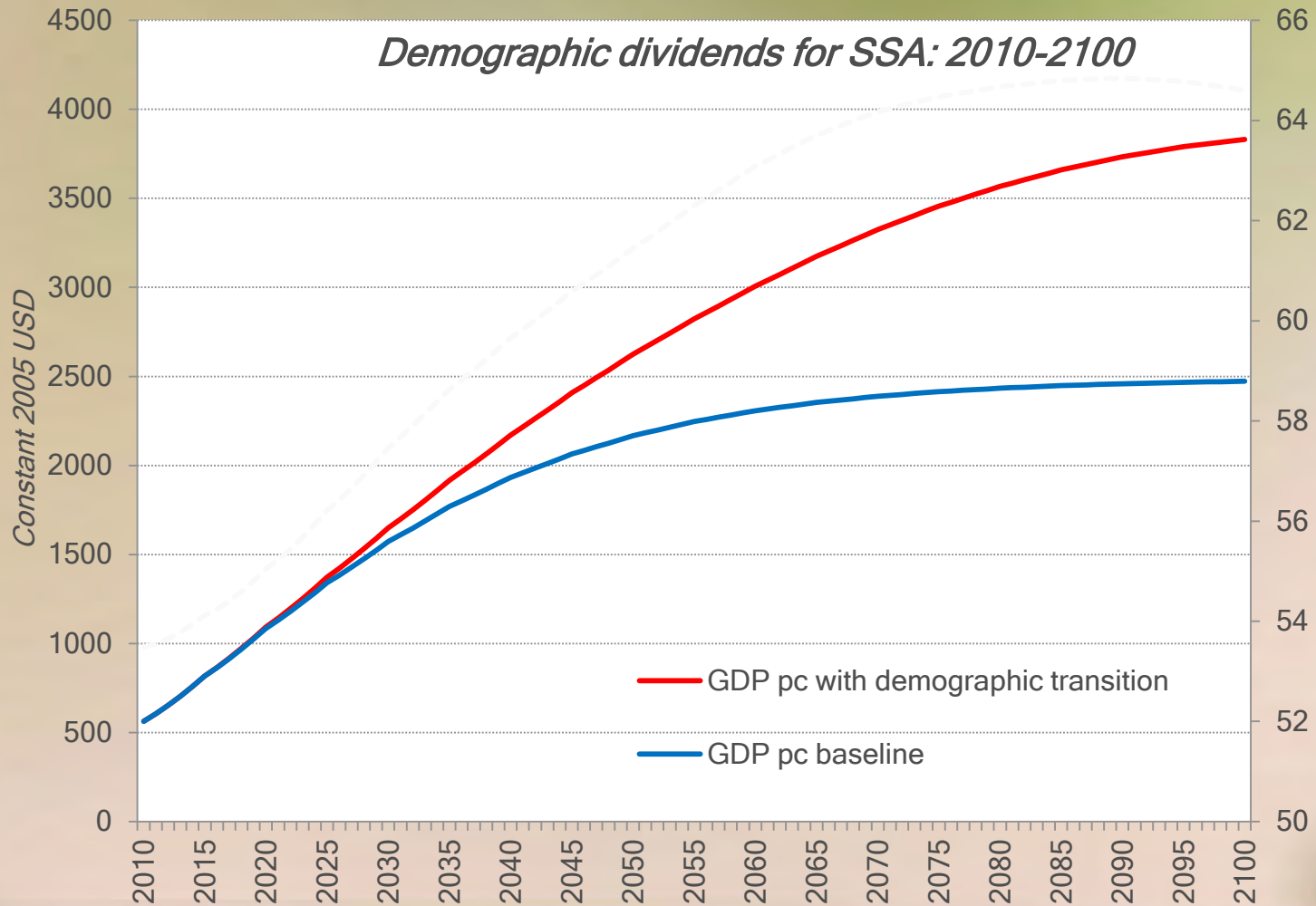
Source: World Bank, World Development Indicators.



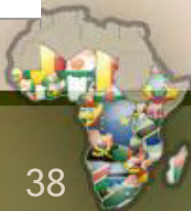
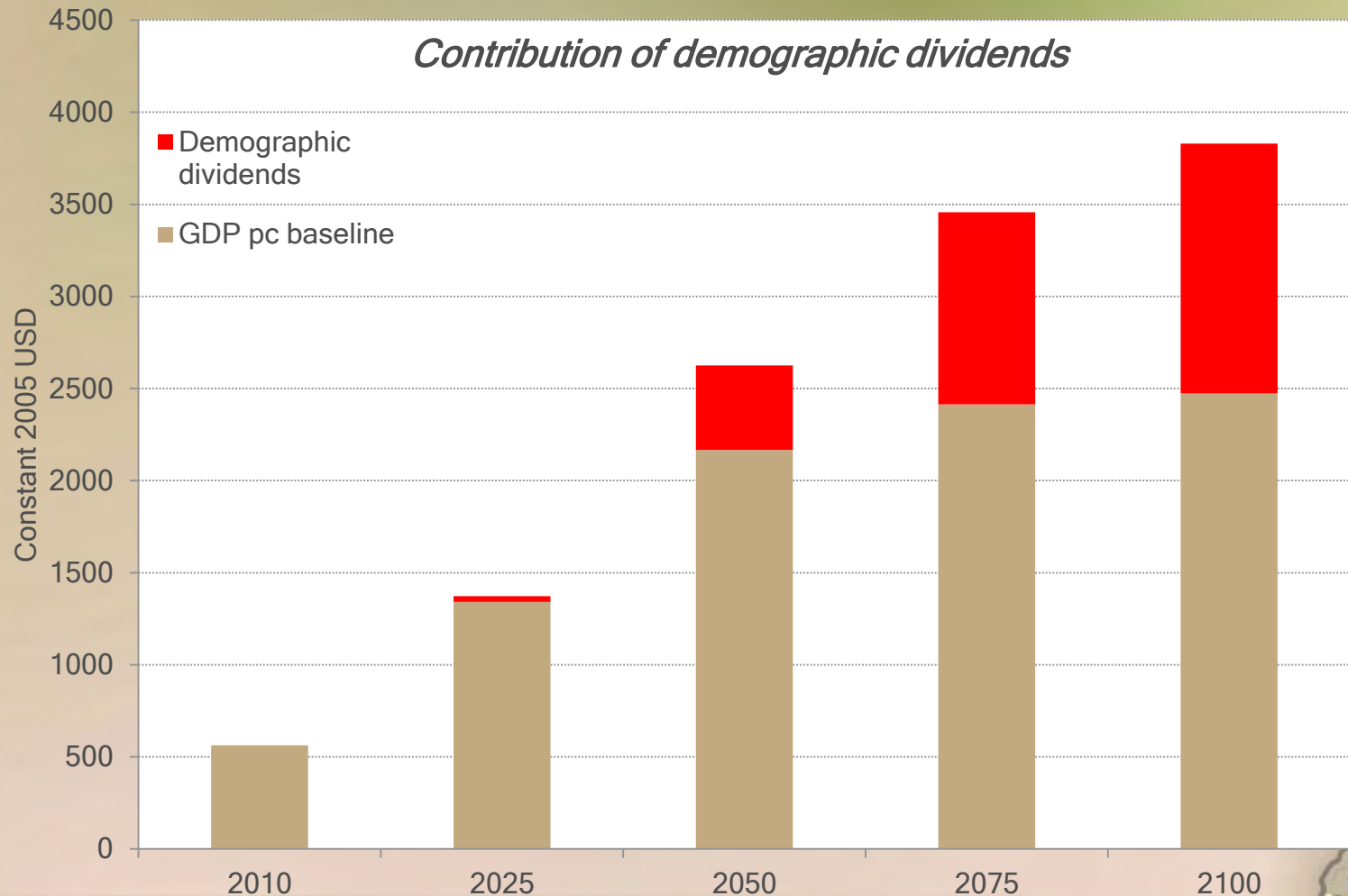
Demographic Dividend: Challenge or Opportunity? (1)



Demographic Dividend: Challenge or Opportunity? (2)



Demographic Dividend: Challenge or Opportunity? (3)



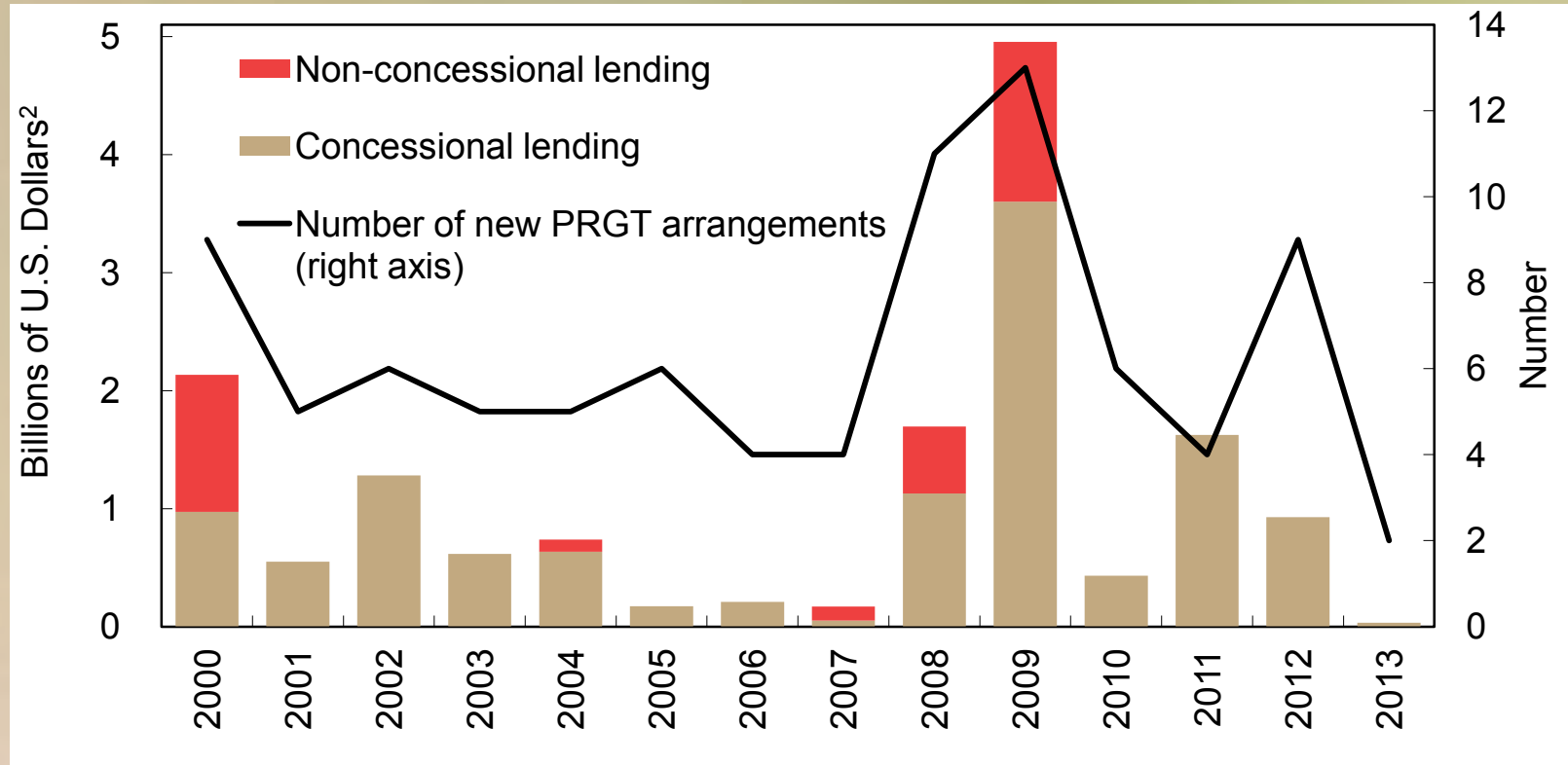
IMF Involvement in Africa

- 21 countries with IMF-supported programs: ECF (14); SCF (1); PSI (5); EFF (1). And: Use of RCF
- Capacity building: 40 percent of IMF TA; AFRITACs; Training Center
- Regional Economic Outlook
- Policy advice: natural resource mgt; financial sector stability; regional integration



IMF Lending to Africa has fallen from the 2009 peak

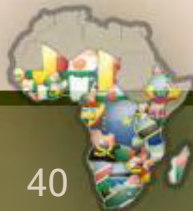
Sub-Saharan Africa: IMF Lending Commitments¹, 2000-2012



Source: IMF, Finance Department

¹ Includes concessional lending (PRGF/ECF, EPCA & ENDA, ESF and RCF) and non-concessional lending (SBA/EFF). Excludes arrears-related lending (Liberia).

² Converted into U.S. dollars using the average exchange rate for each year.



Thank You

